

Social Sector Assessment Bulgaria

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EXECUTIVE SUMMARY

A. INTRODUCTION

The following is a summary of a Social Sector Assessment undertaken for USAID/Bulgaria. This assessment was undertaken to help the Mission explore possibilities for providing development assistance to Bulgaria's social sector. It is expected that the findings from this assessment will help inform an upcoming USAID/Bulgaria social sector strategic planning process.

This summary is presented in four parts: 1) Health, 2) Education, 3) Social Protection, and 4) Cross Cutting Issues. With regard to cross-cutting issues, the team recognized early in the assessment that several broad topics or issues, e.g., decentralization or institutional capacity, transcend the specific sectors. We believe these issues merit a their own section since they:

- Provide the opportunity for collaboration among the sectors; and
- Provide the opportunity for USAID to build on work currently or previously undertaken in Bulgaria to build on synergies.

In addition to the cross cutting issues section, specific issues and options are presented in the respective sections.

1. Purpose

The purpose of the assessment was to:

- Provide the USAID/ Bulgaria Mission with an overview of the state of social welfare in Bulgaria;
- Identify major problem areas in the provision of basic services; and
- Begin to identify program areas in which the mission could have a significant impact, and which do not currently overlap with other donors.

Specific goals of the assessment were to:

- Identify social sector issues or problems which are unmet, or under-met, and for which USAID might consider assistance; and
- Identify overlapping or cross cutting issues, or problems, within the social sector.

2. Scope

The definition of social sector for the purposes of this assessment includes the following three broad areas:

- Social protection and services - including the areas related to pensions, social security, health insurance, the labor market, unemployment support, and the needs of various

vulnerable groups including: women, children, elderly, minorities and ethnic groups, and handicapped or disabled persons.

- The healthcare system and its needs; and
- The education system, including all levels.

3. Methodology

A team of one Bulgarian specialist and one American specialist in each of the three substantive areas, and a team leader, conducted this assessment from July 2nd through July 27th, 2001. For much of the assessment, each sub-sector team was joined by one USAID staff member.

The methodology used for this assessment included the following elements:

- **A review of policy statements**, including existing studies and reports prepared by the Bulgarian Government, international and multilateral organizations, non-governmental organizations, and bi-lateral assistance agencies;
- **Interviews and discussions** with individuals, staff of central and municipal government agencies, and with international, multilateral, national and non-governmental organizations;
- **A field trip** by each of the three teams and their related USAID staff to the northeast of Bulgaria. The Purpose was to interview those involved with the respective sectors at the local level, Mayors, Municipal Social Service Depts, teachers, teacher training schools, doctors and other health care providers, Minority members. This provided a perspective outside of the central government.
- **A workshop** with groups previously contacted to gain further information and seek clarification on issues; and
- **Preparation of the final report**, including incorporating comments and suggestions from USAID staff. The final report presents the major findings and options for USAID consideration during its strategic planning process.

4. Option Criteria

In defining USAID programming options the team utilized the following four point criteria.

- Assistance should focus on significant un-met or under-met needs within the social sector, which are not currently being addressed by other donors;
- Assistance should be feasible within the constraint of likely resource limitations;
- Assistance should have the possibility of leading to a positive impact within a reasonable period of time; and
- Assistance should provide an opportunity to build on existing USAID projects and experience, from Bulgaria and elsewhere.

B. HEALTH SECTOR

1. Major Findings

The healthcare sector in Bulgaria is undergoing some major changes while simultaneously confronting new or increasing health care problems. New problems range from increases in chronic diseases, to major funding difficulties, to overall structural weakness within delivery institutions. The major characteristics of the sector that were identified during the assessment were as follows:

- The structure of the healthcare system in Bulgaria is based on hospital and specialized care, rather than primary and preventative. Also, the system has excess capacity in terms of oversized hospitals, a surplus of beds, a professional workforce that exceeds demands, and a system that continues to produce an excess of medical personnel.
- The healthcare system is still largely controlled by the government, with responsibilities and functions divided among different levels of government. Despite authorization to privatize, few facilities have yet been privatized.
- Healthcare funding, and the funding system, is unable to meet healthcare needs. This situation is due in part to the fact that contribution formula are not based on solid information and there is little or no checking on the actual costs of services.
- Healthcare reform, begun in 1990, has placed an increased emphasis on primary care and prevention and has led to some increase in participation in planning and decision-making. Yet such participation is still limited and requires additional support.

2. Suggestions for USAID Interventions

Overall, the Health Sector Team identified a broad range of possible options for USAID assistance. The three most promising options are: 1) Healthcare reform and finance policy; 2) workforce capacity development; and 3) NGO sustainability. The option areas encompass a broad range of specific sector-related issues, as well as the structural and management issues identified throughout the report.

a. Healthcare Reform and Finance Policy

Throughout the assessment it has been clear that there is a need for health care policy changes. An option for consideration by USAID is that of assisting with the revision and development of current, responsive health care policies. We have identified the following policy areas that can be reviewed and revised with USAID support:

- Role of the private sector in healthcare
- National health insurance and private voluntary insurance
- Market economy and competition
- Regulatory roles
- Regional Allocation Formula.& National Health Insurance Fund payment dynamics
- Capital investments in health
- Taxation and healthcare
- Future of the National Health Insurance Fund

USAID could contemplate a continuation and expansion of the current USAID Health Sector Reform Project, which has already made significant contributions to healthcare reform and has recorded some significant achievements.

b. Capacity Building

Workforce capacity. We suggest a healthcare capacity building project focused on strengthening at least three areas: public health, health informatics/information management, and clinical training. The clinical training component could be focused at two major objectives: institutional training and continuing professional education. All three components could be executed through the “twinning” process focused at establishment of schools of public health, the National Health Informatics Center, and the medical faculties and teaching hospitals. (USAID has had significant experience and successes both worldwide and regionally including Schools of Public Health projects, institutional “sister schools” through the Partnership Program, and teaching hospital “twinning” arrangements through AIHA). Other areas in which workforce capacity should be build include: gerontology; primary healthcare; behavioral medicine; capacity rationalization; and specific health problems effecting Bulgaria (Cardiovascular disease, tuberculosis, dental health and aging.) Improvement of curricula and achievement of an international healthcare standard would afford a significant and lasting impact on the entire healthcare system, ranging from primary healthcare to system management, while simultaneously addressing workforce adjustment issues.

NGO sustainability. There is currently limited involvement of NGOs in the healthcare. However, there are Bulgarian NGOs working in the areas of gender issues, minorities, STI, substance abuse, and disabilities which could, with sufficient financial support, contribute to the overall health care systems. USAID could support these NGOs by developing a resource center which would extend support services in the areas of grant proposal development, fund raising strategies, identification of alternative funding sources, social marketing, etc. It would also serve as a focal point for national level advocacy concerning issues such as tax laws on charitable contributions and corporate philanthropy. This project could build on previous and existing work undertaken by USAID with NGOs, expanding the field of operation to include health and other social sector programs and activities.

C. EDUCATION SECTOR

1. Major Findings

The Bulgarian educational system is described as providing a "world-class" education for the top 10-20% of its students. Regrettably, many of these top graduates emigrate for further study and/or employment. Education is adequate, but dropping in quality, for the remainder of the Bulgarian students, and needs significant changes to meet the needs of the Turkish and Roma minorities and special student populations.

The teaching methodologies remain authoritarian, non-participatory and inactive, and extensive in-service teacher training is needed. Education for a democratic, civil society must become part

of the curriculum. In addition, too much of vocational education remains school-based and theoretical, and is seldom tied to the market. With most of the Bulgarian economic growth coming through small and medium enterprises, much needs to be done with entrepreneurial education from primary through university.

In addition, the educational sector is over-regulated and needs to become significantly more market oriented. For historical and current political reasons, funding for the sector has been falling, salaries are reaching crisis levels, and growing numbers of parents are unable to afford to send their children to school. School finance and allocation of resources is a critical area of concern.

Few educational principals, boards and inspectors or municipal managers are trained in management, finance, curriculum development, human resources management or other leadership skills.

2. Suggestions for USAID Interventions

Following are possible USAID program options in the education sector. Further elaboration of these are included in the main report. It should be noted that, in general, all of the education options identified have the potential for drawing upon USAID experience and lessons in Bulgaria or other countries. Thus, there is a high degree of transferability of USAID experience to the education sector.

a. Policy Issues

Assisting the MES with reform efforts. USAID could provide technical assistance to the Ministry of Education in implementing its World Bank-funded reform efforts. This could involve a range of technical assistance including decentralization, standards, accreditation, testing centers, and management.

Private education policy reform. There is neither sufficient current legislation to encourage the development of private primary, secondary, vocational or higher educational institutions, nor a mechanism to assure accountability. USAID could encourage clarity and ease in the permission process for private and public alternative educational institutions at all levels of the system.

School choice. There is very little choice in school types in Bulgaria. Unless school reform in Bulgaria reaches down to the individual school and provides actual differences in curriculum and pedagogy, the reform of education remains but a structural phenomenon. While school choice is neither the panacea claimed by its proponents, nor a dramatic failure as claimed by its opponents, it does appear to have opened up a wide array of educational alternatives, not previously available in the old monolithic, traditional public school sector. USAID could encourage adaptation of a charter school model in Bulgaria.

b. Workforce Training

Municipal education, principal, inspector, and school board training program. While most school officials in Bulgaria have experience as teachers, few have had any training in all the

many aspects of administering and managing a school. Neither are municipal directors of education or members of Boards of Trustees receiving any training. While we do not believe that there should be extensive training courses (several years in length) set up to train principals, directors and Boards, we do believe that USAID could work with a university or in-service training center to set up a center which would facilitate the decentralization process. This could involve a wide range of issues and topics, including: accreditation, curriculum development, school management and financing, personnel administration, lifelong and community education and a range of other issues.

Special education in-service training program. The mainstreaming of special children into the regular classroom is one of the most difficult tasks facing any society. It does not occur without extensive teacher training on pedagogical methods or costs to the educational system and broader society. A special education “mainstreaming” project could be set up in one or more of the municipalities or regions to train teachers on how to bring sight and hearing impaired children, those with learning disabilities, developmentally disabled and other special populations into the regular classroom.

Computer education in-service training program. We believe that a legitimate educational activity could be in the area of instructional technology, computers, internet connections and other “technical” fixes. A currently USAID (AED) funded activity is already involved in this arena, and could be expanded to involve additional schools, hardware purchase, teacher training, and software development.

Multicultural and bilingual pre- and in-service training program. We believe that a special multicultural and Bilingual pre- and in-service program is an extremely high priority. A multicultural, bilingual program could be created through a university or in-service teacher training site to not only train in-service teachers working with minority children, but could also serve as a center for materials production, a pre-service program, textbooks, and other needed materials.

Teacher education. USAID could consider the following: 1) Design a new system of teacher training with a special focus on in-service training. This might include special programs for the retraining of unemployed professionals from other fields of endeavor to become teachers. 2) assist in the development of new curricula for pedagogical colleges and departments of pedagogy, with special attention to training pre- and primary school teachers. Teachers with foreign language competence are in high demand, but few pre- or in-service programs currently prepare such teachers. 3) The organizational status of both colleges and departments for teacher training within the university structure is currently problematic.

c. Direct Educational Programs

Entrepreneurial training program. To change a culture after fifty years from a socialist economic system to one of entrepreneurial risk taking is something that cannot occur at only the adult retraining level. It must occur in the school level, and not only at the secondary and post secondary levels. Entrepreneurial education could be introduced as part of the social studies, history, economics, civics and other ongoing components of the school curriculum. While it is not the only “package” on the market, Junior Achievement is already found in some 20 schools

in Bulgaria and has worked all over the world in instituting entrepreneurial education into the curriculum.

Language and general pre-school education for poor and minority youth. The issues of language and general nutrition, health and welfare of children age 3-7 has reached critical levels in many rural villages, particularly those in which the primary school has been closed in recent years. A preschool training program involving the growing numbers of “redundant,” trained teachers, as well as newly trained members of the minority communities could be set up, with an emphasis on the mother tongue, basic Bulgarian language, nutrition and health, and social welfare.

Rural multigrade training program. While many parents and most teachers would prefer not to teach a multigrade class, it is generally preferable to closing a school or losing one’s job. A special in-service training program, combined with the formation of Teacher Circles in impacted areas, and a materials preparation program could assist in keeping many of these small, rural predominantly minority schools open.

Service-learning and civic education program. While the highly gifted, academically inclined are likely to continue succeeding in the Bulgarian educational system, a growing number of students are becoming de-motivated, acting out in class, and even dropping out. Students must begin to see the “relevance” of what they are studying. In-service training for teachers could be conducted to introduce them to the concepts and ideas of service learning, a program to “bring the community into the school and the school into the community.”

School-to-work program. While it is not universally successful, School-to-work does provide students with practical experience in the work place, while providing a sufficiently strong academic program to permit them to go on for higher education. A School-to-Work program would be difficult to carry out in most small towns and villages of Bulgaria, it is generally possible in the increasingly urbanized environment.

D. SOCIAL PROTECTION SECTOR

1. Major Findings

Social protection services are primarily the responsibility of government, which is involved at the national, regional and municipal levels. However, the existing institutional structure is fragmented and often characterized by weak management capacity and by overlapping institutional responsibilities. For example, social insurance -- including health, disability, maternity, unemployment and other insurance -- is provided by different agencies, among which there is limited communication and coordination.

The social protection situation in Bulgaria can be characterized as follows:

- Social needs are extensive and appear to have increased during the past few years. These needs include addressing and dealing with high unemployment and poverty.

Unemployment is cited as being between 18 and 40 percent and Bulgaria is cited as the poorest country among the current EU applicants.¹

- Broad categories of special needs are overlooked or largely ignored by existing social protection assistance. Women, children, disabled or handicapped, for example, receive little assistance with problems of abuse, and there are few direct services to help them to live more productive lives.
- The government's approach to social protection is passive, with an emphasis on legislation, regulation, and payments as solutions to social problems, and with only minimal non-financial support services provided to individuals. A passive approach is also reflected in the fact that assistance is not structured to contribute to economic development. Rather, assistance is largely viewed as handing out small sums of money, rather than strategically creating employment and income generation opportunities. Through our interviews we learned that recipients view social assistance as an end itself (i.e., a form of "salary"), rather than as a means to improve one's condition in life.

2. Suggestions for USAID Interventions

a. Social Policy

We feel USAID could provide support for further analysis of specific policies and an assessment of conflicting and inconsistent policies that (1) limit the effectiveness of social protection services, or (2) reduce the opportunity for non-governmental actors to become involved with the social sector. Social policy issues needing attention, as identified during the assessment, include:

Re-assessment and re-alignment of social protection laws. On the basis of the social protection assessment, we believe that a broad review of Bulgarian social protection policies could be beneficial as part of a reform process. Such a review could help identify those areas in which policy could be consistent and mutually reinforcing thus contributing to improved quality and effectiveness of services.

Non-existent policies. USAID could help identify areas in which social protection policies are simply non-existent, or are woefully inadequate such as services for special needs groups (minorities, disabled, elderly children) and women.

For USAID the question may be how to best assist Bulgaria in addressing social protection policy issues, which could include supporting needed policy analysis, developing policy options, and encouraging greater public debate and consideration. USAID can build on current and previous experience in the area of policy review and reform in Bulgaria through its work with the Local Government Initiative Project and the Implementing Policy Change Project. A part of both projects has involved assisting the government and other groups in formulating and examining policy options. In addition, USAID has been working with several private think tanks and research groups that could likely offer policy review assistance.

¹ Draft Bulgaria Country Assistance Strategy, World Bank, May 2001

b. Information Needs

Throughout the social protection arena both government agencies and NGOs report a serious lack of reliable and readily available information on social conditions, and a corresponding lack of capacity to collect, analyze and disseminate this information. USAID could provide technical support to governmental and non-governmental entities to enable them to collect, analyze and disseminate information about social protection needs, programs and results. Such support should emphasize collaborative efforts along inter-departmental lines and ensure the broad dissemination of information. This approach would constitute an excellent opportunity through which to encourage the participation of educational institutions, think tanks and government agencies, including regional development authorities. A revolving broad-based board could work to develop a social protection research agenda (including priority data collection tasks) and to review agendas and progress on a periodic basis.

Illustrative areas in which adequate information is not readily available include:

- The impact of social protection policies on the economy.
- The types and extent of domestic violence.
- Baseline data and information on the magnitude and depth of the problem of exploitation of women and children in the commercial sex trade.
- Type and extent of barriers to access to social services on the basis of ethnicity and gender.
- Data on the “shadow economy” -- how big it is, how substantial its economic significance, to what extent it influences social protection issues and dimensions
- The potential link between social protection and tax legislation.
- Type and extent of barriers faced by entrepreneurs interested in starting a small business.

c. Institutional Capacity

Throughout this assessment it has been noted that government agencies at all levels do not have adequate capacity to fulfill their social protection responsibilities. In part, the difficulty is that of inadequate financing. However, an additional dimension seems to be organizational and managerial, and includes: inter-governmental cooperation; establishing effective relationships with non-governmental organizations and with private businesses in the social service area; and improving communication and the exchange of information between municipal and national levels. These factors are likely to become increasingly acute as growing demands are placed on municipalities to deliver social protection services. Interviews also revealed a strong concern that national, regional and municipal officials are unprepared to efficiently and effectively manage the reform process in Bulgaria.

USAID could provide technical assistance to municipalities to better assess, strengthen, and implement their programs aimed at delivering social assistance. Several USAID sponsored projects have already used organizational and management assessment tools developed and adapted for use in Bulgaria. These tools, and the support of the Local Government Initiative, the National Association of Municipalities, and the Regional Association of Municipalities could

lead to further cooperation and increased capacity of municipalities to deliver social protection services.

Other areas in which USAID can provide capacity building support include:

- Provide and expand support to government units at the central, regional and municipal levels to enhance their ability to work effectively in a decentralized social protection system, within which responsibilities and resources are equitably shared.
- Provide increased technical support and encouragement aimed at expanding the involvement of NGOs and the private sector in the social protection sector, recognizing that for this effort to be successful additional assistance work with government agencies at all levels will be required
- Provide technical assistance and on-going development in the management of reform processes. Such a program should include the assistance and collaboration of the EU and a well-designed and implemented participatory management assessment process. One possibility is to team with the EU in their accession training in those areas of organizational design and program implementation that are not currently covered by EU assistance.
- Strengthen the pension system's capabilities in the use of modern accounting standards and actuarial methods are needed by providing training and technical assistance required to upgrade accounting technologies working through the existing or an expanded Pension Reform project.
- Improve employment services by providing training in job awareness and preparation services, pre-layoff services, and elimination of barriers to social services.

d. Access to and Collaboration among Services

At the local level, citizens must frequently visit many different agencies, located throughout the town, or possibly in antoehr town, to register for a service. In addition, the government agencies, involved do not readily share information about individuals or coordinate who is receiving specific services or benefits. Finally, even people who are to make payments, ie employers, encounter the same problems of where to go, and at times have to go to a number of different offices to make the payments.

We suggest a pilot one-stop social protection center which might help address access problems. The concept is to establish one location where the public could obtain information about available social services and assistance, and register with the respective agencies. Similarly, such a center could facilitate the collection and sharing of information among social service organizations and provide a place at which businesses and individuals could conveniently make payments to the system.

Further recommendations are made in the text regarding improving ethnic relations, increasing public awareness of pension reforms, and improving the public image of social protection services.

E. CROSS CUTTING ISSUES

1. Major Findings

During the initial phases of document review and data collection, the team identified a number of emerging issues that were common to each of the three sectors covered by this assessment. These issues can be captured in three broad categories: 1) decentralization, 2) institutional capacity building and NGO involvement, 3) management capacity, and 4) information needs and capacity. Each of these issue areas presents an opportunity to both coordinate programming across sectors and to build on current recently completed Mission activities and projects. Presented below is a more detailed discussion of each crosscutting issue, including related programming options.

2. Suggestions for USAID Interventions

a. Decentralization

Throughout the social sector continued central control contributes to reduced levels and quality of service, and to a lack of innovation and flexibility that could lead to improved services. It is expected that greater local control would result in an increase in responsiveness to local conditions and needs, and lead to improved accountability. Decentralization could encourage collaboration among the agencies engaged in social protection and ultimately contribute to increased cross-sectoral collaboration, e.g. in the area of public health, as greater local autonomy is acquired. Support for decentralization could also contribute to the development of a political and social environment in which there is increased responsiveness to public needs, i.e., as social services are decentralized it would be easier for local governments and organizations to demonstrate their ability and willingness to listen to and involve citizens. Of course, this process will not be without difficulties, but can be expected to contribute to the overall goal of developing both responsibility and accountability in the public arena.

USAID support for decentralization in the social sector could build on several existing USAID projects, including the Local Government Initiative, the Democracy Network program, the Health Reform Project, and the Implementing Policy Change Project. In addition, USAID would be able to work collaboratively with existing operational NGOs, such as Catholic Relief Services, who are already helping to strengthen local school boards and to promote greater involvement in the schools. Existing USAID supported projects offer a body of experience that could be helpful to this effort.

b. Institutional Coordination and NGO Involvement

Suggestions for USAID interventions: Provide assistance for enhancing inter-governmental collaboration in the social sector, while encouraging the involvement of NGOs and private businesses in addressing social sector issues and needs.

The tradition in Bulgaria is to expect that government will provide needed social services. Yet the government institutions in the social sector report that they lack the capacity to effectively

and efficiently provide social services. They note that increased demands are being placed on them for which they do not have adequate resources or response capabilities.

Contributing to this problem is the relatively rigid hierarchical nature of the government agencies and the centralization of decision-making authority. Similarly, both within and between government agencies, a lack of information sharing and collaboration is widely reported throughout the social sector. This is illustrated, for example, in the over-production of medical personnel by the educational systems and the lack of joint planning. In the social protection sphere there is little collaboration and communication among the agencies providing unemployment benefits, health insurance and other services.

A major factor affecting the delivery of social services is the lack of non-governmental organizations and private businesses as active participants in the sector. Encouraging and supporting the participation of NGOs and private businesses in the social sector has the potential to substantially increase the overall capacity within the sector. Importantly, USAID has a history in Bulgaria of working with and trying to support the emergence of businesses and NGOs. Although the focus of these USAID-supported organizations has not been the social sector, the experience USAID has gained is transferable to the health, education or other social service areas.

c. Institutional & Management Capacity

Suggestions for USAID Interventions: Through a variety of in-service and professional development programs, utilizing existing education, training and institutional development organizations, and promoting joint government and private participation, USAID could usefully focus attention on enhancing organizational management capacity. Assistance could focus on organizational self-examination of functions, processes, communications and the rules and regulations that govern the work; training and professional development to meet both short-term personnel needs; and creating an organization and management approach that enables the use of newly acquired skills, abilities and technologies.

Throughout the social sector, governmental and non-governmental managers are not prepared to effectively deal with the types of demands being placed on their organizations. Of particular concern is the change to a new economic and social pattern, and a lack of ability to manage the reform process in the context of a rapidly changing environment. This issue applies both to government agencies and to NGOs, as both types of organizations are faced with the challenge of developing substantive expertise and learning to manage a new type of organization in a difficult and newly competitive service environment.

The types of capabilities social sector organizations most clearly hope to acquire include: improved budgeting practices, including the use of program budgets; improved accounting and auditing practices; responsive and effective personnel management systems; and increased use of information technology.

d. Information Needs and Capacity

Suggestions for USAID Interventions: Possible option for USAID support: Provide support for the generation of social sector information and developing improved social sector research, monitoring and evaluation capacities.

The issue: Each social sector suffers from a lack of available reliable information and has a limited ability to obtain the information required for effective management, including planning, monitoring, evaluating, and budgeting. Information-related needs mentioned by interviewees during the assessment include:

- Information about the number of people requiring various types of services;
- Assessments of the social impacts of economic and other policy;
- Information on the effectiveness of programs designed to address social problems;
- Information needed for targeting services to those who are in greatest need.

USAID is again in the position of being able to draw upon or expand the use of organizations and capacities to which it has already made a significant contribution. Thus, emerging NGOs and think tanks may be able to provide some of the needed research and monitoring services.

CHAPTER 1: INTRODUCTION

The USAID/Bulgaria Mission is embarking upon a strategic planning process. As part of this process the Mission is exploring possible programming options focused on the social sector in Bulgaria, an area in which it has provided little direct support. To obtain background information for the strategic planning process USAID commissioned a social sector assessment. This assessment report presents options for possible USAID involvement in Bulgaria's social sector.

The objective of the assessment was to identify issues and areas of the social sector in which USAID activities and programs could have an impact. More specifically, this assessment aimed to identify existing needs which have not yet been adequately addressed by other donors, or areas in which additional assistance from USAID could significantly enhance the work already under way.

A. ASSESSMENT METHODOLOGY

The methodology for the assessment included five components:

- Reviewing existing studies and documents from the government, donors, NGOs and other sources identified during the course of the assessment. [See Appendix 1 for a list of the materials utilized in the assessment.]
- Conducting interviews with a broad range of government departments and agencies at the central and local levels, donors, local and international NGOs and with other experts identified during the project. [See Appendix 3 for a list of individuals contacted during the assessment.]
- Conducting field trips outside of Sofia in the northeast of Bulgaria. The Purpose was to interview those involved with the respective sectors at the local level, Mayors, Municipal Social Service Depts, teachers, teacher training schools, doctors and other health care providers, Minority members. This provided a perspective outside of the central government. [See Appendix 4 for the field visit schedules of the assessment teams.]
- Conducting an information gathering and validation workshop. To further validate findings and gain additional information and ideas a workshop was conducted in Sofia on July 23.
- Analyzing findings and preparing this report.

The total number of people contacted by the assessment team, through a combination of individual and group interviews and meetings, was in excess of 400. USAID invited nearly 150 individuals to the July 23 workshop. Including the assessment team and USAID staff, approximately 115 people devoted a half-day to a discussion of the social sector in Bulgaria. Importantly, the workshop participants represented various central and municipal government offices, donors, NGOs, as well as other experts in the respective fields.

Background and Briefings. As part of its preparation for the assessment, the assessment team met with USAID and World Bank officials in Washington D.C. and in Sofia. These meetings

were to help alert us to key issues, and to begin to familiarize the team with the key organizations and assistance programs related to Bulgaria's social sector.

B. THE ASSESSMENT TEAM

A team of three Bulgarian and four American experts in health, education and social protection conducted this assessment. For the purposes of document review, data collection and initial analysis, the larger team divided into three teams, each of which focused on one of three major areas: social protection, health and education. For much of the assessment, each sub-sector team was joined by one USAID staff member.

C. ORGANIZATION OF THE REPORT

This report is organized in five sections: the Introduction, Health, Education, Social Protection and Cross Cutting Issues and Options. Summary matrices are included in Appendix 2, which present issue areas by sector, and identify donor programs contributing to specific issues. These matrices should assist USAID in identifying gaps and areas that represent options for possible USAID assistance. Also included in the appendices are a bibliography of reference materials used by the team (Appendix 1), a list of people interviewed during the assessment (Appendix 3), and the team's field research itineraries (Appendix 4).

The structure of each section follows a similar pattern. Following a broad overview of key issues or findings about the current status of the sector, the sections identify options or sectoral areas toward which USAID/Bulgaria could contribute.

D. DEFINING BULGARIA'S SOCIAL SECTOR

The term social sector, for the purposes of this assessment, refers to a broad range of needs and services related to healthcare, education and social protection. Social protection is itself a broad area, and includes: employment issues, such as pensions, social security, labor market issues, and support for the unemployment; health insurance; and social services for special groups, including women, children, elderly, minority ethnic groups and handicapped/disabled. From an institutional perspective, the social sector also includes, or might include, the central, regional, municipal and village governments, NGOs, and other private organizations. Indeed one issue that quickly emerged during the assessment, and which is discussed throughout this report, was the extent of involvement of these different groups within the social sector. In this assessment Social Protection is approached as a system of related issues rather than separate component parts.

E. THE BULGARIAN CONTEXT - A BRIEF SUMMARY

For the past 12 years Bulgaria has been transitioning from a centrally planned and closed economy to a market-based economy that is actively pursuing global markets. Over these same 12 years, Bulgaria's political structures have shifted to support government that is more decentralized, responsive and democratic. Both of these broad shifts have impacted heavily upon the social sector. For example:

- **Gross domestic product (GDP) fell** continuously during the first years of the transition period. The cumulative decline by 1993 reached 27 per cent – the deepest fall in GDP registered among Central and Eastern European (CEE) countries apart from Albania.
- In the context of the deep economic crisis there was a sharp fall in living standards. **Real household incomes declined dramatically, by 76 per cent** over 1989-97. The reversed trend from 1998 was still far from enough to offset the huge drop over the decade.
- The general decrease in incomes was accompanied by **increasing income inequality**. Of major concern for the success of the transition process in Bulgaria is that this sharp rise in inequality has translated into a growing feeling of nostalgia for the past among poor people
- The decline in real income was accompanied by a **worsening in non-monetary welfare indicators**. The mortality rates for most age groups have deteriorated since the beginning of the transition, especially during the second half of the decade. This led to a fall in life expectancy at birth. This trend, together with a steady decrease in fertility, has resulted in a fall in the overall population.
- The findings of the World Bank poverty assessment in Bulgaria concludes that in 1995 the **highest poverty rates were found among families with children**. The same study also points to higher incidence of poverty among **ethnic minorities**. For instance, in 1995, the poverty rate among families with adults and children was 15 per cent for the ethnic Bulgarians, compared with **42 per cent for Turks and 76 per cent for Gypsies (Roma)**. (UNICEF, 2001).

As the preceding figures point out, the majority of Bulgarians have been negatively impacted by the past 12 years of transition. This is even more clearly the case for minority groups.

F. OVERVIEW OF RECENT U.S. GOVERNMENT INVOLVEMENT

Within the context of the trends outlined above, USAID and its “partner” U.S. Government (USG) agencies have supported a range of relevant programs and activities in Bulgaria. One focus of USAID and broader USG assistance has been to help foster a private sector led, market-oriented economy. Projects and activities have specifically supported private business institutions; improvement of the legal and regulatory framework; job creation; access to credit; stimulating local economic development through credit and community action programs; open commodity (grain) markets; and support for private-public dialogue on strategies for private enterprise growth.

A second focus of USG assistance has been Bulgaria’s democratization process. USAID programs have supported the strengthening of local government institutions and non-government organizations. Other activities have focused on rule of law requirements, such as technical assistance to prosecutors, judges and police on various aspects of criminal law enforcement.

Though historically less active in the social sector, USAID activities have directly addressed a number of social transition issues. USAID assistance has supported pension and healthcare financing reform. Additionally, USAID has funded community development projects, which aim to create new sources for jobs in communities that have lost their major employer.

Beyond USAID's programs, a large number of USG agencies have been active in Bulgaria over the past decade. The focus of these activities has ranged from veterinarian training programs, to military modernization, to public health administration. A particularly high profile program has been that of the U.S. Peace Corps. The Peace Corps has had over 400 volunteers in Bulgaria over the previous ten years working in language education, environmental awareness and natural resource management, and community economic development. Other U.S. contributions have been made through the Foreign Commercial Service, Trade Development Agency, Overseas Private Investment Corporation, Export-Import Bank, Department of Labor, Securities and Exchange Commission, and through a range of international organizations and regional initiatives.

Clearly USAID, and the USG more generally, have been very substantially involved in Bulgaria across a range of transition-related needs and issues over the past ten years. As USAID looks to build on this previous experience, this assessment will highlight areas in which USAID involvement is likely to be most effective and catalytic.

CHAPTER 2: HEALTH SECTOR

A. INTRODUCTION

This Section of the Social Sector Assessment focuses on the health sector within Bulgaria. An overview of the current status of the health sector reviews its structures, major problems and recent accomplishments. The discussion then focuses on the major option areas for possible USAID assistance.

B. ANALYSIS OF THE CURRENT SITUATION

Bulgaria in the 1970s and 1980s initiated a healthcare reform that called for changes in the approach to health and health care, although not affecting the fundamentals of the Semashko system², at least in the beginning. The reform turned much more radical in the 1990s, and particularly so during the last four years. Some progress has been made, and is being made with this reform, although much improvement is still required. This reform process is the context for the present health sector assessment. As with the other components of the social sector, healthcare is complex and the issues are multifaceted.

The economy has an important impact on health services. The economy of Bulgaria deteriorated resulting in an economic crisis in 1996, which led to the downfall of a government and a severe currency crisis in 1997. The leva plunged in value from 962.5 per USD to 3,015 in a single day. As 55% of pharmaceuticals and virtually all disposables and equipment are imported, this devaluation placed an additional burden on the already strained health budget.

1 Major Health Issues in Bulgaria

Several major trends and conditions contribute to the major health care problems in Bulgaria. These are addressed below to help identify areas in which USAID and other external assistance may find a potential for significant impact.

Aging Population. Bulgaria has experienced a net negative population growth over the past 11 years due to declining birth rates, increasing crude death rates and emigration. This has significant implications for the healthcare system that have been thoroughly documented. The ramifications of this situation are twofold. First, morbidity and disability levels increase with advancing age. This means that the burden of disease, particularly chronic disease shall increase in parallel with the relative aging of the population. Second, the increase in elderly, retired persons relative to the younger, working population will make the burden of payment more severe. Widespread unemployment and economic sluggishness will serve to exacerbate this phenomenon.

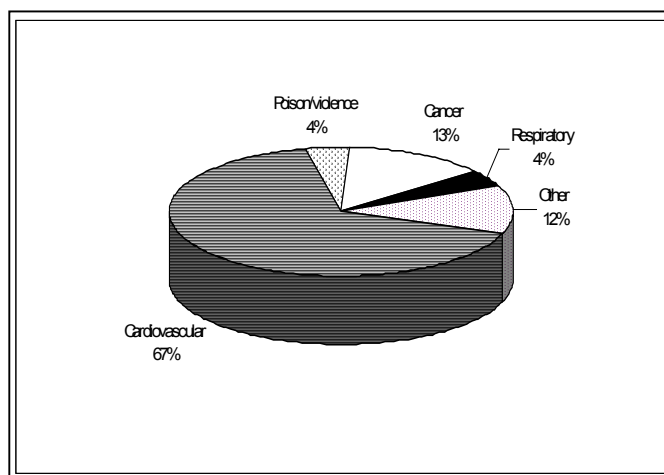
² One of the 3 most popular systems in Europe: Semashko (USSR), Beveridge (UK) and Bismarck (Germany).

Morbidity Trends. The morbidity and mortality trends in Bulgaria, with a few exceptions, reflect the demographic trends. Hypertension, diabetes mellitus, hyperlipidemia leading to cardiovascular disease, strokes, and renal failures are the hallmarks of this trend.

Cancer rates in major categories such as lung, breast, colon, cervix uteri, and prostate are increasing and there is a simultaneous resurgence of tuberculosis while respiratory infections such as influenza and ARI remain major causes of mortality.

In terms of total mortality and morbidity, cardiovascular disease is the cause of over 66% of all deaths. It was the primary diagnosis in over 100,000 cases in year 2,000 (as seen in figure 3). Efforts to date have mostly been confined to early diagnosis and treatment although there is an annual national budget of \$203,493 for prevention.

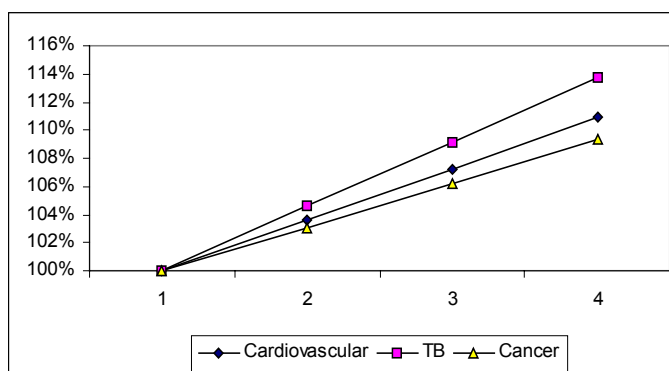
FIGURE 3. MORTALITY PROFILE OF BULGARIA 1998



Cancer is the second leading cause of death at 13% of the total mortality. The major types of cancer are colon, lung, breast, cervical, and uterine. The overall cancer incidence rate is increasing about 3.1% per year.

A disturbing trend is that tuberculosis has increased over 140% in the last decade. The rate of increase is 47% higher than cancer and 26% higher than cardiovascular diseases, (figure 4). Further, the distribution of cases is variable throughout the country with some areas reporting increases many times the national average.

FIGURE 4. ANNUAL INCREASE IN CVD, CANCER, AND TB



Tuberculosis generally disproportionately affects the poor who live in crowded, unsanitary conditions and have the worst nutritional status. Given the increase in the number of poor in Bulgaria since 1996, it can be expected that the rates of tuberculosis will increase even more rapidly in the next few years.

While still relatively small in numbers, the conditions, such as prostitution and IV drug abuse, for the increase of problems such as AIDS and substance abuse exist. To date, the cumulative number of HIV positive cases between 1986 and 2000 is only 346 and it is reported that over 250,000 tests are now performed annually. Conversely, the other major sexually transmitted infection rates differ from this. Gonorrhea incidence has declined 50% during the same period while syphilis rates have increased markedly. It has been suggested that this may result from a

shift in site of treatment for gonorrhea from the public (where it is reported) to the private sector (where it may be under reported). This cannot be confirmed.³

Reproductive Health. The population of Bulgaria is declining. Fertility rates and birth rates have plunged from 51.20 and 12.10 in 1990 to 32.2 and 7.90 in 1998 respectively. The abortion rate exceeds the number of live births. However, abortions have declined 22% faster than live births over the past 10 years and if the current trend continues will be less than births before the end of this decade. This abortion rate is also affected by the practice applied to low weight infants (< 1000 grams) who are live born. If they survive seven days, they are counted as a live birth, if they expire they are recorded as an abortion.

Infant mortality rates are reported to be less than 14 in 2000 and maternal mortality amounts to only 7-15 cases per year. This is the second lowest infant mortality rate in the Southeastern European countries and the number of maternal mortalities is so low it is a stochastic event.

Two problem areas are an increase in teenage pregnancies and a very high birth rate amongst the Roma minority. Donor financed projects have targeted both of these areas and it is reported that Roma women have a high acceptance rate of IUD's and often travel long distances to attend special family planning clinics that dispense the IUD's free of charge.

Healthcare Service Utilization. The aging of the population should result in higher utilization rates of healthcare services. Yet in Bulgaria utilization rates have declined steadily over the past decade although they are still quite high compared to insured groups (where cost is not a major factor) in the US. Expressed as visits or admissions per 1000 people per month in Table 4, this trend is clear.

TABLE 4. UTILIZATION TRENDS OF HEALTHCARE SERVICES 1990-1998

Year	Out Patient	Dental	Hospital Admissions	LOS (Days)
1990	554.95	172.20	16.44	21.2
1995	459.93	110.48	14.77	16.0
1998	461.90	95.97	13.48	12.5
US (95)	312.92	91.7	12.75	7.6

In terms of hospital stays, the Length of Stay (LOS) has also declined over the 1990's but is still excessively long (12.5 days) compared with the US (7.6 days).⁴ This may indicate a more "domiciliary" function rather than treatment intensity, which field observations during the assessment confirmed. The patients stay a relatively long time in the hospital but receive a low level of therapy due mainly to the lack of functioning equipment and shortages of drugs.

³ Bulgaria, Common Country Assessment 2000, United Nations

⁴ NHHS Statistics 1999 indicate the LOS for acute care beds has dropped to 5.7 days.

2. The Healthcare System

Bulgaria's health care system, at the beginning of the 1990's, was primarily focused on hospital care and the use of specialists. Primary healthcare and preventive efforts were limited, although improvements in the Infant Mortality Rate and Morbidity and Mortality Rate were realized during the 1970s and 1980s. The Bulgarian system had a huge physical infrastructure whose maintenance and operating expenses consumed a disproportionate portion of the health budget. The commitment of financial resources to the physical infrastructure drastically limited Bulgaria's ability to respond to new challenges.

a. Facilities

Hospital facilities. Despite the reform efforts in Bulgaria, the number of hospital facilities and hospital beds is quite high compared to the population. The number of beds, for example, was reduced 21% from 1990 to 1998. Yet it was still exceedingly high with 843 beds per 100,000 populations in (Table 2). The excessive hospital facilities are indicated by the low Bed Occupancy Ratio (BOR), about 63% and the long Length Of Stay (LOS) of 12 days.

It is possible that there will be a further reduction of facilities as a hospital accreditation program is implemented. It is anticipated that hospitals that cannot meet the accreditation standards will be closed, further reducing the oversupply.

TABLE 2. INTERNATIONAL COMPARISONS OF THE HOSPITAL SECTOR

Country	Bed Ratio	BOR	LOS
Bulgaria (98)	8.43	63%	12.5
Bulgaria (95)	10.61	73%	16.0
United Kingdom	4.3	na	9.8
Germany	9.6	86%	14.2
United States	4.1	74%	7.8
Canada	5.1	na	12
Sweden	5.6	68%	7.5

Note: All countries 1995 data except Bulgaria '98

Outpatient facilities. The total number of outpatient facilities is also very high with one rural clinic for every 826 people in 1998. Similar to the PHARE project in the early nineties, the World Bank supported an ambitious Health Sector Reform Project, which, aside from supporting development of the National Health Insurance Fund, focused a significant effort towards the development of primary care via the re-equipping of these facilities and the provision primary care and management training to 1,500 primary care physicians. Eventually, over 2,300 primary care providers will have received these inputs.

b. Workforce

The healthcare workforce is also disproportionately large compared to the population. Bulgaria currently possesses over 28,000 doctors, 4,800 dentists, and almost 47,000 nurses with similar numbers in other ancillary staff categories. If fully employed in patient care, this would result in

general practitioners treating only 5.1 patients per day and 1.0 nurse full time for each patient.⁵ Despite this, the five Bulgarian medical schools continue to graduate doctors and nurses every year. Enrollments have declined, however, the production rate still exceeds the replacement rate.

A labor adjustment strategy supported by external assistance has been established which would provide severance pay and/or re-training these doctors and nurses as social workers or to enter the private sector SME milieu. Approximately 2,800 hospital workers will be included in this process. However this does not definitively address the problem of over production by the health care training institutions.

c. Financing

Healthcare funding in Bulgaria consists of public allocations, National Health Insurance Fund (NHIF) payments, and out of pocket payments by patients. A very recent survey estimates that out of pocket expenditures may constitute 40% of the total.⁶ If this is the case, 7.0% of the GDP is being spent on healthcare. This differs markedly from the 4.2% reported in the National Health Strategy (April 2001). At this rate, Bulgarian health care spending is on par with the EU, where the average percentage GDP expenditures for health is reported to be 7.0%.⁷ However, given that Bulgaria is one of the poorest European countries, measures such as % GDP are relatively meaningless.

The expenditure figure of importance is actual spending in adjusted currency, and by this measure healthcare spending has declined significantly during the 1990s and is only now beginning to show signs of increasing once again. Yet again, caution must be exercised since reliable data on out of pocket health care expenditures are not readily available.

Municipal allocation system. Paying for healthcare in Bulgaria is a joint undertaking in which the municipalities are expected to assume a significant responsibility. Each municipality receives from the central government an allocation for healthcare costs. The amount of this allocation is based on a formula. However, the municipal allocation system is not realistic and the structure of the formula contributes to the municipal deficit and negates municipal efforts to meet the shortages through local revenue sources.

It was envisioned that an increasing proportion of the funding for healthcare would be channeled through the National Health Insurance Fund. This is not occurring since continued levels of high unemployment and an aging population place significant constraints on the adequacy of the premiums received by NHIF. Further the high social contribution rates legislated in Bulgaria have lead to the practice of employers “officially” paying employees the minimum wage while making additional remuneration on the side. One authority cited that only 2.45 million workers, 800,000 of which are in the “gray economy”, and are not contributing are supporting 2.5 million

⁵ By way of contrast a US doctor will typically see 20-23 patients per day and a single nurse will be responsible for an average of 5-6 patients.

⁶ Performed by the German ‘Friedrich Ebert Foundation’ and published (in part) by the national newspaper ‘Sega’ the 23rd of July 2001.

⁷ Strategic Objective 3.2 Increased Health Promotion and Access to Quality Health Care, Graduation Report, Project Objective Team 3.2 May 2001

pensioners. This situation, of course, further diminishes the ability of the NHIF and the government to adequately support health care costs in Bulgaria.

Municipal allocation formula. The municipal allocation formula and the adequacy of the total funds for allocation to the municipalities from the central government pose major problems for the health care system and for the municipalities. The municipal allocation formula is of major relevance for the health care system and presents problems due to three major issues.

The formula for allocating funds to municipalities has been changed annually since its inception in 1993. The frequent changes present a significant problem in terms of planning since there is no certainty with respect to the following year's budget for public expenditures. The latest iteration of the formula in principle provides 100% of social assistance payments to the eligible population. However, total regional allocations are based on the central resources available and not on the actual expenditures needs. This leads to shortfalls at the local level. During the assessment every municipality visited reported spending deficits, backlogs of social assistance payments, and outstanding credits with suppliers of drug and disposables.

The second difficulty with the municipal allocation formula is the untied "block grant" nature of the allocations. Although the formula is to qualitatively reflect expenditure needs, the municipality exercises considerable latitude in how some of the funds are actually used. Expenditure elements such as civil servant wages and benefits are relatively safe and required payments. This leaves social assistance funding in competition with the municipality's other operating costs for the remaining limited resources. There are relatively few mechanisms for exercising influence or demanding compliance on social assistance spending and under-spending on social assistance is reported to have occurred. The inadequacy of the total allocation amounts and the lack of public influence on social assistance expenditures at the local level implies that the viability of social welfare interventions or strategies have a weak foundation. They also face a significant risk of becoming un-funded or under-funded mandates that lead to few tangible benefits.

A third difficulty with the formula, which relates directly to healthcare, is the co-funding of public expenditures and the NHIF payments. NHIF payments do not cover the full cost of the health benefits received. Rather the payments supplement the public expenditures made from general public revenues. This situation presents several unknowns. First, the NHIF payments are based on estimates rather than actual costs. Thus, even the stated percentages of cost are at best conjecture. In addition, there are no guarantees that the percentages expected to be covered by the municipal allocations will be provided since the allocations are variable and discretionary. A second issue is the potential for municipalities to reallocate expenditures on healthcare benefits based on the supplementary NHIF funds received; increased receipts from the NHIF result in reductions in municipal allocations to health care, thus perpetuating the deficits. These circumstances do not bode well for healthcare. Worldwide experience indicates that healthcare is often not a top priority for politicians in decentralized scenarios.^{8,9} The intersection between

⁸ Dr. Boyko Penkov, Director, Dr. Dimitar Ilieva, Deputy Director National Health Insurance Fund

⁹ Attempts to decentralize in recent Brazilian health policy: issues and problems, 1988-1994. Araujo Junior JL, International Journal of Health Services. 1997;27(1):109-124

funding levels and real costs combined with the issue of fundability constitutes a significant jeopardy to the impact of any social protection strategy.

National Health Insurance Fund. The National Health Insurance Fund (NHIF), legislated in 1998 is a single payer approach to healthcare financing similar to other systems in the EU. The contribution rate is 6% of wages, the minimum contribution is 12% of the minimum wage, and the maximum is 6% of 10 times the minimum wage. The contribution is divided between the employer (4.8%) and the employee (1.2%.) The self-employed and non-contract labor are subject to the full 6%. Contributions are collected by the National Social Security Institute (NSSI), which forwards the funds to the NHIF's accounts. The relationship between the NHIF and healthcare providers is determined annually in a National Framework Contract between the fund, providers, and professional organizations.

Many of the components of the system are working reasonably well and the NHIF has benefited from significant donor and World Bank assistance. One unusual aspect of the NHIF implementation is the phased implementation of its systems and subsystems. Contributions were introduced July 1, 1999. The fund became operational as of July 1, 2000 for outpatient care and July 1, 2001 for inpatient care.¹⁰ Thus, enrollment and contributions began before services and, services are still under development. Similarly, not all of its functions came on line simultaneously. This is akin to “building the ship while underway at sea” which is difficult in the extreme. Nonetheless, at the time of this assessment over 90% of the target population were enrolled and over 80% has selected their primary care provider.

The fund has adopted what are known as “clinical pathways” for specific diagnoses. These pathways are to be used as a quality control mechanism for hospital care and have also adapted a DRG-like weighting system for use in determining provider payment at the secondary and tertiary level of care.

3. Access and Utilization

Access to health care appears to be limited primarily by poverty and geographical distance and not, as some expect, by gender or minority status.

Gender. Overall few gender issues were encountered in the health sector. The major exception is that of the relationship between female heads of household and poverty. These heads of household have the double burden of having to care for dependents and provide the financial support for the household. This dual responsibility within the Bulgarian context appears to have a significant impact on their health. For example, it is reported that 44% of female heads of households assess their health as poor. Poor health in turn affects their ability to work and is aggravated by their inability to purchase medications.¹¹ Conversely, with many of the ethnic groups, women are more likely to seek and receive healthcare services.

Roma. In the case of the Roma population, surveys revealed that utilization of healthcare services is lower than for the general population. This is reportedly due to several factors. First,

¹⁰ Institutional Profile, National Health Insurance Fund, [Main Objectives and Achievements]

¹¹ Women in Poverty, ILO - UNDP 1998

an unquantified factor is the higher than normal self-assessment of their status of health and a distrust of modern medical care.¹² Second, poverty among the Roma contributes to a lower use of health care facilities due to the ubiquitous out-of-pocket expenses associated with medical services.¹³ Third, the distance to healthcare facilities affects utilization as a result of transportation costs. The degree of importance of the cost is not clear since the largest concentration of Roma, located in Sofia, has persistent low utilization rates. The major gender health issue associated with the Roma is the frequency of early marriage and pregnancy, which render the predictable consequences. Efforts carried out by Roma-oriented NGO's are reported to be effecting change in the health seeking behavior as well as protecting the patient's rights of the Roma.

Turkish. Little health utilization data for the Turkish minority are available since health utilization and morbidity statistics are not collected in a fashion that identifies ethnicity. Some informal observation and interviews in Dulovo in North Eastern Bulgaria with a Turkish majority of 70% has higher than normal reported incidence of tuberculosis and renal disease. Virtually no data were available on the Wallachian or Tatar minorities in terms of healthcare problems.

Rural-urban. Access to healthcare services in Bulgaria is greater in urban areas and less in rural areas. This is not unusual and, in fact, is the norm in developed countries of significant size such as the United States, Canada, and Australia. However, in Bulgaria the age distribution of the urban rural populations accentuates this disparity. Urban migration has largely been a phenomenon of the employment age rural population with the elderly staying behind. By 1998, the rural elderly constituted 32% of the total rural population, (Table 3).

TABLE 3. URBAN-RURAL AGE DISTRIBUTION AND CHANGES

Location	0-14	15-59	60+
Urban	21.0%	62.1%	16.9%
Rural	19.2%	48.9%	31.9%
Change 1980-1998			
Urban	-8%	-3%	29%
Rural	-8%	-12%	34%

The higher levels of illness and greater medical needs of the elderly have profound implications for the profile and quantity of services needed in rural areas.

Providing healthcare facilities for the rural elderly is continuing to be a problem. There are more than 3,100 rural health centers, the mainstay of the rural healthcare delivery system. Yet it is reported that healthcare professionals currently do not staff over 400 of these centers. Changes are likely to occur in the number of healthcare facilities as a result of the current system of hospital accreditation. As mentioned earlier, it is expected that the accreditation process will impact the excessive number of municipal hospitals since many will not meet the criteria and will probably have to close. It is being suggested that many municipal hospitals be converted to hospice and/or long term care facilities for the elderly. As yet, feasibility studies have not been

¹² Bulgaria Common Country Assessment 2000, United Nations

¹³ Foundation for the Promotion of Roma Youth

carried out for the proposal, which does not, in any case, address the needs of the elderly who do not require domiciliary care. Thus while the closures may be justified, since Bulgaria has an excessive number of hospital beds, they will not address the needs of the rural elderly population.

4. Improvement Efforts

Healthcare reform: True healthcare reform began in the early 1990s, in response to a rapid deterioration of the healthcare system. Hospital beds were decommissioned and personnel reduced. A new focus was put on primary healthcare, general practice curricula were developed, and practicing physicians were given retraining in Primary Health Care (PHC). As part of the reform, over 1,800 physicians received training in both clinical and management skills with support from PHARE.

By 1998, the health reform effort resulted in some significant changes within the healthcare system, including granting permission for the private practice of medicine, emphasizing primary health care, establishing professional organizations, and devolving a good portion of the healthcare expenditure responsibility to the municipal level.¹⁴ Also in 1998, the National Health Insurance Act was passed in response to the government's inability to fully publicly fund healthcare for the entire population. Despite these efforts, the deterioration of the system has not been halted and further, more draconian, measures may be required.

One striking aspect of the healthcare reform in Bulgaria is the uneven implementation of reforms. Since 1998, significant focus has been on the NHIF and substantial resources have been devoted to its establishment and development. Similarly, much effort and many resources have been focused at the primary care level while hospitals and public health have not received much support for capacity building or funding. As a result such products of the reform as clinical pathways, DRG's, and aspects of financial management have been imposed on hospitals, which are ill prepared to deal with them. In addition, many of these providers face deficits in facilities, equipment, and supplies and are thus poorly positioned to deliver the quality of care demanded. It is paradoxical to develop state-of-the-art NHIF Quality Assurance and Management Information Systems that have to interact with an inadequate provider system.

Privatization. Although "privatization" of hospitals and clinics has been authorized, the results thus far are puzzling. With privatization, primary care clinics, which are the property of the municipalities, may be sold or rented to the GP's. None have been sold yet and the rental fees are minimal. Similarly, hospital privatization has not produced many results. Municipal hospitals have been "incorporated" as autonomous entities yet the municipal governments are the owners and responsible for the support and maintenance of these facilities. It is unclear how publicly owned and funded facilities constitute "privatization".

Reportedly only one hospital has been truly privatized and four others are "in process". The seemingly insurmountable obstacles to widespread privatization of hospitals derive from:

- Low asset value of the facilities due to deterioration,

¹⁴ Professional association development began in 1990; private practices were legalized in 1991.

- Original design inefficiency which is ill suited to the current needs,
- Insufficient funds from the government and NHIF to support operations.

Several Bulgarian authorities noted that “green fields” or new hospital development is more likely if the funding problems can be remedied.

National Health Plan. In approaching the health sector assessment it was helpful to have the National Strategic Health Plan and National Action Plan 2001-2006 of Bulgaria as a frame of reference. The assessment has focused on the issues raised in these plans, as well as ones identified but not included in the plans.

The health plan action priorities for the period 2001-2006 are:

- Improving the health of the nation
- Increasing effectiveness of the health system through institutional and structural changes in the providing of healthcare services
- Developing the functions and structures of public healthcare
- Raising the quality of medical care
- Changing the financing of the national health system
- Adapting the human resources in the health system to the new economic conditions and the institutional and structural changes in healthcare

Significantly, these targets closely parallel the USAID strategic objectives (SO 3.2) for Eastern Europe:

- Improved health status of the Eastern European populations
- Increased health promotion and access to quality health care
- Improved mobilization, allocation, and use of healthcare resources
- Improved quality of care
- Citizens better informed about and better able to advocate personal healthcare rights and obligations
- Environmental and occupational health risks are reduced

The congruence of priorities and goals provides a valuable starting point for USAID/Bulgaria in developing a social sector and healthcare strategy for its work in Bulgaria.

5. Summary of Health Care Status

The preceding review of health care system in Bulgaria has highlighted the current structure, demands, and problems. The major points of this discussion are summarized below.

The health care system has been and to a large extent remains hospital and specialty based rather than primary and preventative. Since the mid 1990s, some efforts have been made to reform the system to place greater emphasis on prevention and primary health care, to reform the structure of the physical system, and to rationalize the health care personnel situation to reduce the over supply of health care professional.

Health care in Bulgaria has been controlled by the central government, as is the case with other social systems. With policies determined at the central level, the municipalities have had the responsibility for providing the services, making health care payments and maintaining health care facilities. This central control has developed an expectation among the population that the government is responsible for health care. As a result of this, and even in light of recent reform efforts, there is very little involvement by private companies or by NGOs in health care or prevention activities. Recently, privatization of health care facilities and services has been authorized. Yet privatization remains more of a slogan than a reality in Bulgaria.

The health system has an excess number of hospitals and other facilities and of health care personnel. Further, many of the facilities are in poor condition, suffering from inadequate use and maintenance, and will require substantial investment to bring them up to acceptable standards. There is a significant question whether it is worthwhile renovating the facilities, converting them to other uses, or simply starting over with new more appropriately sized and located facilities.

Bulgaria is experiencing a significant increase in such chronic diseases as tuberculosis and cancer, and the potential of a major HIV problem. The health system is being further challenged by changing demographics and the resulting health needs. Specifically, the country has an aging population that increasingly will require health care.

Health care financing and funding remains inadequate despite the initiation of some reform efforts. The NHIF, established in 1998-1999, is not yet able to provide the expected and needed financial support. Devolution of responsibility for health care payments to the municipal level has not been accompanied with the provision of adequate financial resources.

Financing and funding problems stem in part from the inadequate basis for determining and allocating funds. Current allocations for health care to municipalities are based on bed space or hospital service rather than cost of service. Indeed, little solid knowledge of the cost of services is currently available.

Access to the health care system is not systematically restricted for minority groups. However, inability to pay, geography, and distrust of the system, reportedly result in a low rate of use by minority groups. In summary, healthcare facilities are not readily available for all segments of society. Access is a particular problem in rural areas where transportation, high levels of poverty, and an aging population are especially prevalent and serve to deter the population from seeking health care.

C. SUGGESTED USAID INTERVENTIONS

Based on the assessment of the health system a number of opportunities have been identified for possible consideration by USAID. These options are presented here. It is recognized that some categories overlap or that options transcend categories.

1. Policy Review and Revision

Throughout the assessment it has been clear that there is a need for health care policy changes. An option for consideration by USAID is that of assisting with the revision and development of current, responsive health care policies. Below we have identified policy areas that can be reviewed and revised with USAID support.

In the policy area, USAID could contemplate a continuation and expansion of the current USAID Health Sector Reform Project, which has already made significant contributions to healthcare reform and has recorded some significant achievements. Although policy level projects do not hold the same immediate appeal to some that specific programs aimed at child health, family planning, or HIV/AIDS do, effective policy reform projects offer not only the biggest impact for the US Taxpayer's dollar but offer the most likely venue for sustainability. Specific, direct interventions tend to end when the project ends, whereas national level prioritization, legislation and policy development can continue to affect a wide range of important health problems long after a policy project has ended. The current USAID program in Bulgaria is aimed at financial and organizational issues, rightly so.

For if the funds, organization, management and workforce are not there, the goal, no matter how laudable and humanitarian, will never be achieved.

Stakeholder Involvement in Policy Reform

The involvement of a broader range of stakeholders in the planning and policy development can, in the long term be beneficial and should be explored and developed. Planning and national level negotiations are already carried out by a combination of the government, the NHIF, and the Bulgarian Medical Association and the Dental Union. This is a most promising start. However, there are many more stakeholders that experience the impact of the decisions made. Worldwide experience demonstrates that larger participation in this process, though slower and more difficult, leads to wider support and commitment and fewer problems. A good start has been made but the process should go on to include groups such as the Bulgarian Hospital Association, the Nursing Association, labor unions, NGO's, and the Association of Municipal Governments among others.

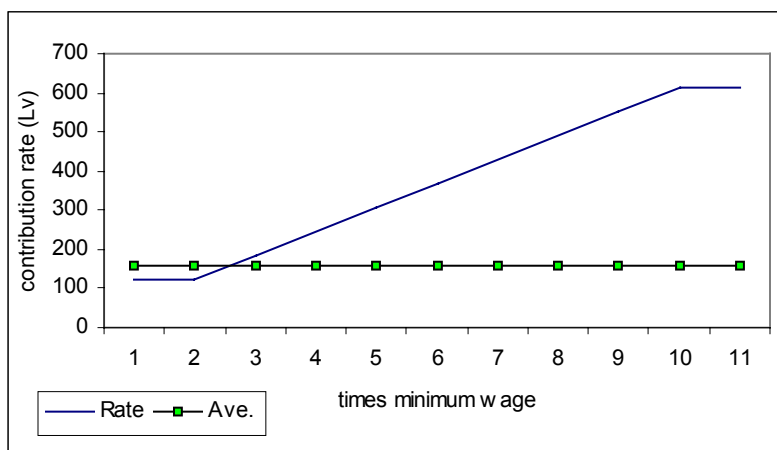
An extension, clone, or look alike of the current project could serve to address every policy issue identified and further to be the vehicle for the critical areas of targeted research. By addressing the areas of healthcare investment, taxation, competition, regulation, advocacy, and the other policy and research areas enumerated above, USAID would position itself as the front-runner in the health policy area simply by being first. This would also provide an opportunity for leverage and synergy with the USAID Mission's Democracy and Governance initiatives as mentioned above.

Role of the private sector. The roles of the public and private sectors are not clear as the government changes from its role as the only provider of healthcare services to increasingly that of a regulator. This means that there is and will be a larger potential role for the private sector. *The role of the private sector and the terms and conditions under which it will be assumed as well as the relationship with government providers need to be clarified in appropriate laws and regulations.*

a. Insurance

National health insurance and private voluntary insurance. Regarding the provision of supplemental insurance, examination and revision of the structure of the National Health Insurance Act is needed to determine why private insurance companies have exhibited very little serious interest. It was anticipated that these funds would provide supplemental insurance on a voluntary basis. Preliminary assessments suggest that significant disincentives exist which may discourage meaningful growth. Indeed only one private insurance company has even completed part of the registration approval process.

FIGURE 5. COMPARISON OF NHIF CONTRIBUTION RATES AND BENEFIT LEVELS



A major issue with respect to private insurance is that of discretionary funds to purchase supplementary insurance. The progressive nature of the NHIF contributions (a percentage of income) results in the income of the higher income levels, which could be spent for voluntary insurance or services, being assessed for the NHIF benefit. The highest income groups will be paying five times the minimum to receive the same quality and access to healthcare services, (figure 5). This will leave less in the way of discretionary funds to purchase private insurance, which in turn, will reduce the market demand for private non-NHIF provider services.

Market size for private voluntary insurance is a second issue of critical importance. If a proxy of stratified income for Bulgaria is examined, it is clear that the market will be rather small.¹⁵ It can be estimated that the prime market may be as small as 190,000 individuals with a secondary market of about an additional 200,000.

The profile of benefits offered may also limit the development of the voluntary insurance funds. If the benefits offered are mostly “amenities”, the indemnification element will be largely absent. Without the benefit of significant “risk reduction”, insurance benefits will be difficult to sell.

Market economy and competition. There is a need to identify additional steps that can be taken safely to introduce additional healthy competition into the health care system. One aspect of national reform is the introduction of “competition.” Some progress has been made in this area in that the general practitioners must compete for a NHIF contract and NHIF members upon whom their capitation payments are based. However, the government (or quasi-government) remains the regulator, major payer, major owner of facilities and equipment. The general practitioners are, and soon the hospitals will be, largely dependent upon the NHIF for survival as

¹⁵ Source: Social Stratification in Bulgaria, The Friedrich Ebert Foundation, 2000.

failure to obtain a contract equates certain financial demise for most providers. Further, the NHIF has been empowered with semi-regulatory functions in terms of determining accreditation, standards of care, contract formats, reporting requirements, and so forth. Appeal mechanisms exist, but the NHIF decision is considered final in most cases. This gives the NHIF a disproportionate power in negotiations with providers. Combined with the over-abundance of providers, it is hard to see where the real competition is. If supplementary health insurance schemes should arise, their flexibility in areas such as selection of providers, information system parameters, and contractual agreements would all be constrained by the NHIF system.

Regulatory roles. The regulatory roles in the health insurance sector are unclear. It seems that some administrative responsibilities have been placed upon the NHIF, which are not entirely appropriate, e.g. the development of standards of care, accreditation of facilities, credentialing of providers. These administrative responsibilities both increase the administrative costs of the fund and place it in the role of an insurer and regulator. This will discourage both private insurance and investment. The government cannot be the referee and a player at the same time and guarantee a fair game.

b. Financing

A variety of financial issues that warrant attention have been mentioned previously: e.g. municipal allocation adequacy and the municipal allocation – NHIF payment dynamic. Additional issues are investment (capital investment) and taxation.

RAF/NHIF payment dynamic. As mentioned previously, the Regional Allocation Formula does not provide adequate funding for the municipalities and features some disincentives for amelioration by the municipality. The cost estimates for NHIF disbursements are based on an estimated percentage of the total cost, which is based on the implicit assumption that the percentage allocated by the municipality will cover the difference. Currently the funding deficit at the municipal level is not reconciled with the NHIF payments. *A remedy for the mounting debt problem of the municipalities will require policy changes at the national level.* This is an area in which USAID is already active through its Democracy and Governance (D/G) Office initiatives, which directly deal with the financial and governance issues of decentralization. However, discussions with D/G consultants indicated that the health system specific issues raised in this report are not within their current scope of activities.

If efforts were undertaken in the social sector to address these issues, coordination and some degree of joint planning with the D/G could afford significant leverage of social sector funds and numerous synergies. The social sector efforts could thereby build on the considerable results achieved to date and, in turn, contribute to refinement of the D/G effort. *We recommend that in collaboration and coordination with the existing D/G project, USAID carry out the necessary financial, economic, and policy studies to elucidate a rational plan for reconciliation of the MAF/NHIF disparities.*

Capital investment in health. The need to develop a comprehensive national capital plan was expressed by many parties. A review of the investment policies for the health sector is needed to identify how obstacles to private investment can be reduced and what type of incentives will attract the investment required to halt or reverse the infrastructure degradation.

The healthcare infrastructure is in a seriously dilapidated state according to the public officials consulted and confirmed by direct inspection of facilities both in the capital and in the regions. In the pre-1990's period and up to 1994, construction of new hospitals took place on a massive scale resulting in Bulgaria at one time possessing a hospital bed to population ratio of 1,063 per 100,000, the highest in Europe at the time. This combined with the high number of ambulatory healthcare facilities present an overwhelming burden in terms of utilities and maintenance. Although decommissioning hospital beds and reductions in staff have taken place, this does not greatly impact the utilities and maintenance costs. In turn, these large operating costs limit funds for the purchase of drugs and disposables. Maintenance of the facilities and equipment has taken a low priority with the result that the structures are in poor condition and much of the equipment is outdated (over 20 years old) and/or broken.

A plan for public capital investments is needed, but in light of the current economic conditions and the national external debt load, the prospects for public capital expenditures for health are minimal. In addition domestic and/or foreign private investment in the health sector is unlikely at present for several reasons. A major impediment to private domestic or foreign investment in health is that public payments for services are not based on actual unit costs and these payments derive from a single source. Thus, the major business risk for a private investor in the health sector is the NHIF.

We recommend that USAID conduct a comprehensive review and analysis of investment needs, obstacles and constraints in the health sector with the objective of optimizing policy and regulations and the development of a global public-private capital plan.

Taxation of healthcare. There is a need for studies related to the taxation of healthcare goods and services and its impact. There are three major issues in the tax area that should be examined as policy issues. First, with the privatization of the GP's and the "incorporation" of the hospitals, they have become tax objects and subject to a variety of taxes, the most significant of which is income tax. Second, prescription drugs, with the exception of those purchased by the GOB, are subject to Value Added Tax. Third, about 55% of the pharmaceuticals are imported as finished products, much of the rest as raw materials, and virtually all of the disposables are imported and all are subject to import tariffs.¹⁶

In light of the funding inadequacies and the condition of the healthcare infrastructure, levying tariffs and taxes on healthcare constitutes an additional burden on a system already facing extreme financial challenges. A VAT of 20% on pharmaceuticals means that the purchasing power for drugs is diminished by 17%. Considering that 50% of the total pharmaceutical purchases are out-of-pocket, this is significant. The combination of import tariffs, VAT, and income taxes may reduce the patient's purchasing power by as much as 46%.

Since access to healthcare is a "universal right and a national priority" in Bulgaria, the current tax treatment of health care is paradoxical. Aside from the ethical considerations of taxing patients because of their illness vis-à-vis a "misery" tax, if the Bulgarian healthcare system were in robust condition taxation might not be a significant issue. Appropriate tax treatment can

¹⁶ Medical equipment is exempted from import tariffs.

improve access to the system. Thus a study of the impact of taxation of healthcare expenditures and a detailed evaluation with specific policy recommendations is warranted.

We recommend USAID undertake a comprehensive assessment of the prevailing tax codes in terms of adequacy, equity, and impact on healthcare with the objective of optimizing the tax regimen with regard to health.

Future of the NHIF. An additional major policy area that needs to be examined is the Future of the NHIF. The establishment of the NHIF constituted a bold “break from the past” on the part of the GOB. This should not be discounted. Significant progress has been made in developing the organization.

Due to the uneven nature of the implementation of healthcare reform and the pattern of authorities and responsibilities afforded the NHIF, problems have arisen. Demands have been placed on providers for which they are unprepared to fulfill. The unclear dual role of third party payer *cum* regulator plus the unequal negotiating power has caused resistance and resentment in the provider and municipal government sectors and, along with the uneven development in the NHIF causes strains on the system.

Examination of the future of NHIF is likely to become even more significant in light of expected reductions in insurance contributions as a result of economic actions to stimulate employment and economic growth. Thus the prospect of dwindling revenues due to reductions in social insurance contribution rates necessary to increase employment and stimulate the economy poses additional jeopardy to the NHIF.

With even fewer resources the country will face the question of whether the most vulnerable should be targeted more sharply and, if so, what does the rest of the population do? Similarly the possible changes in NHIF operation as a result of changes in revenues will be raised. NHIF operation is predicated on increasing revenues over time. What happens in the face of decreasing revenues? The subsequent steps must be determined and new options that build on the NHIF experience identified.

We recommend USAID conduct a comprehensive analysis of healthcare trends and costs paired with policy development and strategic planning to accommodate these changes.

2. Capacity Building

Throughout the assessment virtually every stakeholder consulted strongly expressed the need for increased capabilities in many public health areas such as management, insurance, behavioral medicine and so forth.

Capacity building is not only a top priority expressed by Bulgaria but is an area where USAID has had significant experience and successes both worldwide and regionally including Schools of Public Health projects, institutional “sister schools” through the Partnership Program, and teaching hospital “twinning” arrangements through AIHA. These types of arrangements benefit the country by establishing long term (if not permanent), high quality training capabilities and forge lasting beneficial relationships between the United States and the recipient country.

If such a strategy were to be considered for Bulgaria, it could serve as the vehicle to support the “Healthy Bulgaria” concept on a meaningful basis of self-reliance. The ubiquitous deficits in management sciences, health informatics, behavioral medicine, insurance, and quality of care, traditional public health, regulation, and so forth could be remedied on a lasting basis. The specific disease entities described in this report such as cardiovascular disease, cancer, tuberculosis, and even smoking, STI’s and AIDS could be addressed on a much more effective basis than direct project intervention by preparing Bulgarians to do it for themselves.

Nor would the strategy need to be limited to public health. Rather in extending it to professional training institutes, additional benefits could be reaped. Aside from the pressing need to introduce gerontological sciences and clinical preventive medicine, improvement of the educational standards in the medical, dental, and nursing schools could offer not only a solution to the current oversupply of healthcare providers through enhancing professional mobility outside of the country (National Action Plan 6.2) but also capitalize on Bulgaria’s previous history of quality medical education, attracting more foreign students thus providing foreign exchange and a continuous external source of support for healthcare education in Bulgaria.

We suggest a healthcare capacity building project focused on strengthening at least three areas: public health, health informatics, and clinical training. The first two would provide a strong basis for continuity of policy interventions should an extension of efforts in the health policy area being undertaken. They would also provide the absolute requisite of sound management and regulation necessary for all other health interventions to succeed.¹⁷

The clinical training component could be focused at two major objectives: institutional training and continuing professional education. This would entail improving the quality of the current institutions and introducing curricula in areas such as behavioral medicine, gerontology, and clinical prevention. It would also involve collaboration between the institutions, professional organizations and the government in developing the continuing medical education programs in terms of content, standards, and credentialing. In both cases, the venue would be established for continual quality improvement and the introduction of “evidence based” medicine, case management, prevention and promotion.

All three components could be executed through the “twinning” process focused at establishment of schools of public health, the National Health Informatics Center, and the medical faculties and teaching hospitals. The process is straightforward and proceeds through three basic stages: establishment of institutional linkages, faculty preparation (exchange etc.), and curricula development.

Improvement of curricula and achievement of an international standard would afford a significant and lasting impact on the entire healthcare system ranging from primary healthcare to system management while simultaneously addressing the workforce adjustment issues.

¹⁷ Problems such as tuberculosis or STI’s and programs such as Maternal Child Health and Family Planning cannot succeed on a sustainable basis or render significant impact without accurate information and adequate funding and management.

Information Capacity. One of the primary limiting factors for effective health care management and planning is the availability of quality information for planning, monitoring and regulating.

The National Center for Health Informatics (NCHI) a part of the Ministry of Health organization has been called upon in a variety of circumstances to assist many stakeholders. The major efforts to date have focused on the National Health Insurance Fund in terms of equipment, software, and training. While justified in that if the NHIF does not have significant IT capability, it cannot carry out its mission. A need in NHIF for additional IT capabilities in areas such as meta-analysis, pharmaco-economics, quality assurance has been identified and is warranted. The NCHI, however, is quite limited in its ability to carry out new tasks or to initiate such vital strategic efforts such as the establishment of National Health Accounts is minimal.

Furthermore, this NHIF focus does not address many other types of information that are of paramount importance to the health sector as a whole. Further, these data cannot conceivably be collected through the NHIF as they represent information needed by stakeholders other than the NHIF and in some cases would constitute a conflict of interest for the NHIF to collect such data.

We recommend USAID strengthen information collection and use capabilities within the health sector, particularly, but not exclusively, National Health Insurance Fund and National Center for Health Informatics.

Gerontology. It is also clear that Bulgaria's aging population means that the pattern of services, facilities and personnel that will be needed will be different from what is currently required. Gerontology, the science of health problems of the elderly is not well developed in Bulgaria but needs to be.

We recommend USAID support not only incorporation of clinical gerontology in the medical curricula but also the inclusion of a gerontological specialty in public health.

Primary healthcare training. As mentioned above, significant efforts in the area of primary care training through the PHARE and World Bank programs have already been carried out. This training was instrumental in preparing general practitioners for their new role in the NHIF scheme. However, these training efforts were not designed as a long term capacity building solution and do not adequately address the broader range of professional training needs and a clear need for new curricula as the healthcare system of Bulgaria develops.

Public health. Public health is an area in its infancy in Bulgaria. Aside from the National Center for Public Health, the only other major center for public health development is the new faculty of public health established in July 2001 in Varna. All parties interviewed unanimously agreed that "public health" does not mean and should not be narrowly limited to traditional areas such as sanitation, environmental health, health education, and epidemiology. Rather, within the Bulgarian context Public Health should encompass health economics, public-private prevention and promotion, behavioral studies, hospital, clinic, and insurance fund management and so forth. Considering the multiplicity of stakeholders the magnitude of training needed, and the depth of expertise required it is unlikely that these needs can be met solely through short term training,

workshops, overseas scholarships, and the like. Rather, what is required is institutionalization of Public Health in Bulgaria, and the development of permanent domestic capacity.

We recommend USAID Provide support for Institutionalization of Public Health.

Behavioral medicine. The current profile of diseases in Bulgaria both chronic such as heart disease and cancer as well as significant infectious disease such as tuberculosis and STI's, plus behavioral risk factors such as smoking and IV drug use, are lifestyle diseases. As such the primary strategy must be prevention, that is, lifestyle change.

As yet, this area is undeveloped in Bulgaria despite the emphasis of the National Health Strategy on health promotion and disease prevention. Its inclusion in the curricula of medical schools and public health schools should be considered a requisite to support the national strategy, towards prevention, health promotion and primary care.

We recommend USAID support the development and implementation of behavioral medicine curricula in medical and public health schools.

Capacity rationalization. The current excess of healthcare professionals is one dimension of a health care professional rationalization process that should be addressed. Despite an excess of these professionals, the five Bulgarian medical schools continue to graduate doctors and nurses every year. Enrollments have declined and it is estimated that up to 33% of the students are from foreign countries, however, the production rate still exceeds the replacement rate. Proposals have been made to re-train these doctors and nurses as social workers. While this approach may provide a short-term solution, it does not address the issue of lost investment in the initial professional training. Downsizing or closing of one or more medical schools also poses the problem of lost investment and/or stagnant non-productive assets. Bulgarian medical training was once considered to be of the best quality in the region. Its reputation has been declining in relatively recent years.

We recommend USAID provide assistance with a rationalization process for health care professionals focusing on effective utilization and possible retraining of existing personnel as well as planning and regulating the production of additional personnel. Institutional assistance could be profitably focused on improving the quality of education at these facilities to an international standard. Such improvement thereby might result in the medical training capacity becoming a regional resource that would attract medical, dental, and nursing students from neighboring countries. Such a development could effect greater utilization of the capacities and the quality of the medical personnel that are employed domestically. It could also enhance the mobility of Bulgarian healthcare personnel in the international arena and create an exportable commodity in terms of healthcare training with the resultant foreign exchange flow contributing to economic recovery.¹⁸

¹⁸ The Open Society Foundation is currently supporting harmonization of the curricula and educational programs in the higher medical schools and medical colleges with those of the EU to create opportunities for the free movement of specialists

One popular approach to the improvement process is a process of using “twinning” or “sister schools” for health informatics and public health. This approach has been successfully carried out by USAID in a number of countries including Albania, Croatia, Russia, Ukraine, Hungary, Romania, Moldova and Slovenia.

Specific health problems. Noted throughout this assessment Bulgaria is facing a number of chronic health problems. Assisting in the prevention of these problems, and/or improving the capabilities to effectively deal with them, could contribute to an overall national health capacity. Specific diseases, which could be included in this broad option, are described below. The options for assisting in this area consist of a disease specific project approach or could be one element of the public health institution strategy described above.

Cardiovascular Disease

As mentioned previously, cardiovascular disease is the leading cause of death in Bulgaria (66%) and the major cause of serious morbidity and debilitation. USAID and the USTDA have carried out efforts in this area including the establishment of a cardiac emergency care unit (USAID) and a large-scale physician training program to develop skills in early diagnosis of cardiovascular disease (USTDA and others). However, what are missing are effective programs for prevention. Given, the magnitude of morbidity and mortality of cardiovascular disease in Bulgaria and the disparity between the costs of prevention versus treatment, this is a glaring deficiency in the current healthcare system. As a single disease issue, cardiovascular disease prevention represents the most significant target for assistance in Bulgaria.

Tuberculosis

As a single disease issue, tuberculosis also constitutes a major health threat to the nation. Aside from the insidious nature of the disease, it is re-emerging in Bulgaria. In addition, the distribution of the incidence and prevalence of TB is unevenly distributed across the nation with some areas such as Duloovo, in Northern Bulgaria, reporting rates far in excess of the national average and which have increased 500% over the last five years. The cost and length of treatment of tuberculosis make it especially difficult to bring under control once epidemic proportions have been reached.

Dental Health

Dental health is essentially an “orphan” issue in Bulgaria. Although utilization rates remain high (95.7 per thousand per month) and some basic dental services are included in the NHIF benefits package, it is reported that the level of edentulous (toothless) elderly is quite high. This has been shown to have significant impact on the nutritional status in the elderly, which in turn increases their morbidity and resistance to disease.

An organized approach to dental health in Bulgaria is needed in the form of a National Dental Health Program and the emphasis should be on prevention.

Aging

The demographic trends in Bulgaria, described earlier, include not only a negative real population growth rate but also a rapid increase in the number of elderly relative to the working population and children. Aside from the impact on the pension system described in the social

protection section of this report, there arise the significant issues of healthcare services specific to the types of the problems of the elderly.

This is a complex area made more so by the different responses among the various ethnic groups and the fact that many of the elderly are located in small rural villages. A multi-faceted strategy is needed to address this problem, which includes not only capacity building but also policy development and strategic planning.

Non-governmental organizations. Some large, established NGO's such as the Bulgarian Red Cross have played an important role for over 112 years. However, smaller, newer NGO's visited are also carrying out important efforts at the community level and possess the capacity to do much more. The range of health related activities include: patient's rights, women's health, socialization of the new NIF benefits schemes, assistance with health card registration of minority groups, a syringe exchange program, and efforts towards hospice development for terminal patients. Other NGO's such as professional organizations and unions advocate for the rights of their constituents and attempt to the extent possible to participate in the development of the national healthcare strategy.

All of these smaller NGO's face the same limitation, namely, the ability to attract funding and the management ability required for an effective organization. In most cases, the NGO's are not proactive in seeking funds but are approached by international organizations with funding already earmarked for NGO development. Although a good strategy to stimulate the NGO sector initially, this is not a recipe for long-term sustainability. In other countries, the field of NGO philanthropy is highly developed and fund raising is a core competency. In Bulgaria, many small NGO's do not have the resources or the experience to obtain funds via grant writing or funding campaigns. There is at least one NGO resource center or clearing house (The Resource Center Foundation) which assists in the articulation of smaller NGO's proposals and in locating funding but, for the time being, it is not involved in assisting NGO's that cope with health issues.¹⁹ Targeted assistance to this or a similar foundation could serve as a continuing resource for Bulgarian NGO's in the health sector.

We recommend USAID provide targeted assistance to NGOs to contribute to the health sector specifically in the area of long-term financial viability. We recommend support for an NGO strategy that assists a wide range of Bulgarian NGO's working in the areas of gender issues, minorities, STI, substance abuse, disabilities and so forth through development of a sustainable funding strategy. This would address multiple issues and afford leverage of USAID funds far beyond the duration of any project by providing a key element missing in the current NGO sector. Development of a Resource Center would extend support services in the areas of: grant proposal development, fund raising strategies, identification of alternative funding sources, social marketing, etc. It would also serve as a focal point for national level advocacy concerning issues such as tax laws on charitable contributions and corporate philanthropy. In terms of implementation, the project could build on previous and existing work undertaken with NGOs, expanding the field of operation to include health and other social sector programs and activities.

¹⁹ The Resource Center Foundation has received USAID support previously

3. Technical Issues and Targeted Research

There are a number of issues identified for which sufficient information is not available to formulate interventions or policies. Targeted research is needed to provide the basis for this formulation. *We recommend USAID support short term and/or periodic efforts targeted at specific technical issues or research problems through funding and technical assistance.*

Costing healthcare. One of the overwhelming limitations facing Bulgaria is the fact that the true pattern and magnitude of total health expenditures is not known. Virtually all of the documentation available focuses on public expenditures and recommendations are based on nebulous measures such as percentage of GDP. Estimates of the non-public expenditures in Bulgaria range around 30%-33%, however, no formal efforts have been extended to ascertain the validity of this estimate. It is inconceivable that effective planning and management of the nation's health could occur without knowledge of what the total expenditures for healthcare are. Moreover, this research could serve as the starting point for the establishment of a National Health Accounts system.

Occupational health and disability. In discussions with NSSI, it was revealed that the burden of social protection payments for work related illness and injury plus the absenteeism resulting from non-occupational illnesses represented a huge strain on the NSSI funds. In keeping with the new national focus on prevention and promotion, it was expressed that a strategy was needed to ameliorate these losses. The available data are scarce and the NSSI candidly stated that the initial step required was the analysis of the pattern of occupational and non-occupational illnesses in terms of production losses and the identification of areas where change could be rendered through targeted interventions.

Facility viability. It is clear that many facilities will be closed partially or totally. However, given the problems with public allocations, NHIF and private payments plus the operating and capital costs issues discussed earlier, there is a question of which facilities can operate on a sustainable basis. *Business based feasibility studies for each facility would reveal this.*

Drug utilization. Drug utilization in Bulgaria has not been optimized. Polypharmacy, the practice of many prescriptions for a single illness is frequent. Providers either have a financial incentive to give too many drugs or have no incentive for efficiency at all. Formularies are not based on pharmaco economic (cost effect) analysis. Given the foreign exchange element of drugs, this is a significant issue and could contribute significantly to controlling healthcare costs.

4. Prioritization of USAID Interventions

All of the issues dealt with in this section on health are consistent with the USAID SO 3.2 objectives and are congruent with the capacities and modalities USAID possesses. As to which are most appropriate for USAID Bulgaria depends on the internal valuations carried out in the subsequent strategic planning. Considerations could include:

- USAID Worldwide and Regional experience
- Current USAID activities in Bulgaria and the potential to build on or cross fertilize
- The overall impact, sustainability, and permanent benefit to Bulgaria

In view of these considerations, we recommend a three-part strategy that could address many of the issues identified above. The strategy would focus on Health Care Reform and Finance Policy; Work Force Capacity; and NGO Sustainability (see each section above).

USAID has much strength and comparative advantages in the health sector. These include worldwide experience in the areas of family planning, HIV/AIDS, immunization, MCH, primary healthcare, and so forth. Projects and interventions focused on any of these areas could be carried out with a high degree of probable success. However, the overriding questions are the magnitude of the impact, its sustainability, and adequacy of current funding. **Although USAID has strengths in these areas, they are currently relatively well-funded and receiving support from numerous other agencies.** USAID could elect to also direct their efforts towards these issues and undoubtedly there would be measurable improvements. Any number of “mini-projects” aimed at specific problems like substance abuse, STI’s, tuberculosis, CV disease prevention, or family planning could be developed and carried out. However without the correct policy framework sustainability cannot be achieved. Without, continual improvement of the healthcare workforce, the quality of the interventions carried out will never be optimally effective. Without sufficient funds, supplies, equipment and personnel no interventions now matter how vital and justified will produce much impact.

Example: HIV/AIDS. If USAID were to elect to implement projects specific to a specific category of disease, tuberculosis and cardiovascular disease are areas of the greatest need. USAID has been a leader in the worldwide fight against AIDS, however, in Bulgaria almost \$4.5 million dollars a year is budgeted for HIV/AIDS and substantial external support is given by UNDP, UNFPA, and UNAIDS. Over 250,000 tests are carried out annually, yet to date there is a 14 year cumulative total of only 346 cases of HIV positivity. The conditions do exist for the rapid increase in AIDS in Bulgaria but by way of contrast there are five times as many new cases of tuberculosis in a single year and the incidence is increasing rapidly. Yet the total budget for tuberculosis is only \$890 thousand per year and there is little in the way of external assistance. Likewise there are 338 times as many cardiovascular disease cases in a single year as the cumulative cases of HIV positives, yet, the budget for prevention is only slightly more than \$200 thousand per year and so far has received no donor assistance.

Example: MCH, Primary Care, and Family Planning: USAID again has significant comparative advantages in these areas. However, the fertility rate is declining continually, the abortion rate even faster, infant mortality is the second lowest in SE Europe and maternal mortality is only 7-15 cases per year. UNFPA, OSF and WHO are already involved in the MCH and family planning areas providing substantial funding and expertise. The World Bank is providing \$21,200,000 in funding for the development of primary healthcare.

Although USAID has strengths in these areas, they are currently relatively well-funded and receiving support from numerous other agencies. USAID could elect to also direct their efforts towards these issues and undoubtedly there would be measurable improvements. Any number of “mini-projects” aimed at specific problems like substance abuse, STI’s, tuberculosis, CV disease prevention, or family planning could be developed and carried out. However without the correct policy framework sustainability cannot be achieved. Without, continual improvement of the

healthcare workforce, the quality of the interventions carried out will never be optimally effective. Without sufficient funds, supplies, equipment and personnel no interventions now matter how vital and justified will produce much impact.

D. CONCLUSION

The areas identified and recommended, in this assessment of the health sector, are those that contribute to sustainable financing and continual improvement in the quality of medical care and health services. Further, they are areas, which currently receive little or no donor support despite their designation as priorities by the GOB. Yet, they are precisely the types of development that will underpin all interventions in primary care, MCH, STI's, family planning, tuberculosis and cardiovascular disease. Finally, they offer great potential in terms of tangible impact and persistent visibility at the levels of national policy, permanent institutional capacity, and long term funding solutions for the NGO sector.

CHAPTER 3: EDUCATION SECTOR ASSESSMENT

A. INTRODUCTION

In traditional sector analyses, it is common to describe the current system and prescribe generally small changes, which might move that system to better achieve its potential. This approach works well in systems that have not suffered traumatic changes, but is insufficient when confronting issues such as those faced by contemporary Bulgaria. This is not to say that Bulgaria is unique in the world, but it is to say that Bulgarian political and educational history can provide insight into the current educational system and which interventions by USAID might assist the nation in its goal to become part of the EU and a global educational and economic “player.”

B. ANALYSIS OF THE CURRENT SITUATION

In its report, *Hidden Challenges to Education Systems in Transition*, the World Bank (2000) characterized the 27 countries of its Europe and Central Asia region in the following way.

They had solved problems that still bedevil several other regions of the world. Adult literacy was generally universal; participation and completion rates for children and youths of both genders were high at all levels and of education; teachers came to work; students had textbooks; students from countries that participated in international assessments of mathematics and science performed well; and repetition and dropout rates were low... Ten years later the reality has changed. In most countries education systems have joined the ranks of deeply troubled sectors...

It is hard to say that Bulgarian education is a “deeply troubled sector,” but nor is it proper to claim that there are no major difficulties confronting it in the year 2001. Bulgaria continues to have a “world class” intellectual elite, trained to the highest levels in its specialized secondary schools and universities, and it is also one of the more highly “credentialed, certificated, diplomaed, and degreed” countries in the world. When asked what the country is doing in the educational sector, visitors are soon overwhelmed with the wide variety of rules, regulations, laws, titles, standards, programs, schools, and activities to provide further evidence of the high quality of the system or to meet the entry requirements of the European Union. One is almost never given information, however, on how this relates to the current or future market economy or to the creation of a modern, democratic civic society in Bulgaria. One is regaled with the large number of Bulgarian citizens in tertiary education, currently at 27.1%, the highest in Central or Eastern Europe or Central Asia. Doctors and economists are being produced at an astounding rate, though the country is already an exporter of medical and other highly educated elites. Unemployment rates of only 5.2% among Tertiary graduates are announced, compared to 20.1% of those with primary or less as evidence of the need for additional production of advanced degrees, but seldom is evidence presented of the relationship of the degree to the actual job

position held by the graduate. Evidence is mounting of perhaps a majority of tertiary graduates who are working outside their field of training.

While this high quality, traditional, theoretically oriented educational system is undoubtedly successful in formally educating a large percentage of its Bulgarian citizens, there appear to be serious problems for many of the students attending general secondary schools, vocational secondary school; for the Roma and Turkish minority community; for the growing numbers of drop outs; and for children who never even enter the system. With the demographic trends indicating surging minority student populations, combined with a declining Bulgarian majority population, this has become the focus of some of the suggested activities in teacher training and multicultural education in this report. The decline of living standards and opportunities for the rural Bulgarian is another trend that leads to additional recommendations for involvement of USAID in community education and multi-grade teaching. The rationalization of the teaching force in a time of declining enrollments calls for an emphasis on in-service, rather than pre-service education. The need to develop creative, democratic, critical thinking and entrepreneurial individuals cries out for new curricular and teaching approaches. While USAID cannot meet all the needs in education sector, we believe a few well targeted programs, when combined with those activities of other donors, can make a major contribution to assisting Bulgaria at this critical juncture in its history. Before looking in detail at the various components of the educational system, we believe there is value taking a brief historical look at how the society and its educational system reached its current state.

1. History²⁰

The Bulgarian Renaissance of 1700-1878 was a period in which the country began to move towards national sovereignty and to lay the foundations for a Bulgarian national consciousness through the development of an independent church and the opening of Bulgarian secular schools with a liberal curriculum. With the liberation from the Ottoman Empire, it moved from being a closed culture to a small Balkan state on the periphery of Europe. European education and culture impacted the secondary and university curricula and western intellectual and artistic trends were found in literature, art and philosophy. Intellectuals after liberation were trained in capitals throughout Europe and brought back the enlightenment ideas and values to the schools of Bulgaria, laying the foundation for the high academic standards and value for education still found in Bulgaria over a century later.

Stefanova (2001) suggests, however, that there was a “reverse side” to the Bulgarian identity in this period: “the demonic, the centripetal, the survivalist; the conservative and isolationist drive that perpetuates closed cultures, especially in societies with young and frail democratic traditions.” Bulgarians continued to feel threatened by “physical annihilation, political subjugation or cultural assimilation,” whether from Byzantium, the Ottoman Empire or the Great European powers. She suggests that this led to a kind of negative or collective individualism, with the aim of survival, not the “critical, open, free, self-sufficient individual of the British or American type,” whose existence might threaten collective survival or collective identity. Bulgarian education, with its emphasis on positivistic knowledge rather than on the process of learning or individual development, can be traced to the influence of the German model, packed

²⁰ Special thanks to Dr. Julia Stefanova from whom many of these ideas and interpretations were taken.

with knowledge in strictly defined scientific disciplines. This can still be seen in the extensive secondary curriculum, containing up to sixteen separate subject areas, and in the detailed control of the education curriculum at all levels by the Ministry of Education and Science, and even governmental ministers and the Parliament itself. The totalitarian period of 1944-1989 managed to bring to a halt the liberal, open, European education and identity which had begun to take root after the Liberation. The school system was “Sovietized, ideologized and politicized”. Research and teaching were separated in order to serve different purposes, something still found today in the separation of Research Institutes from the Higher Education system. Teaching became an ideological activity to create the new Socialist individual, loyal to the State and controlled, and teachers became authoritarian disseminators of Marxist ideology in their approach to teaching. The Germanic philosophical tradition was eliminated and that of Marx, Engels, Lenin and Stalin became the only lens with which to view the world. As with other closed cultures, “repetition prevailed over improvisation, similarity over difference,” and the stage was set for a two tier system in which the elite would attend special language schools and go on to elite Bulgarian or Eastern European universities, while the rest would attend general secondary or vocational schools to become the skilled workers of the society. This separation still exists in post-Communist Bulgaria, although the higher education system has opened up to many more of the “working class,” students than in the previous era.

The transition since 1989 has been a painful one for the Bulgarian society and its educational system. Stefanova (2001) states, “It has been a most dramatic and painful time which started with a violent shock that took most of us unawares. The whole edifice of society cracked and some parts of it collapsed, burying bodies, souls, minds, illusions, delusions and hopes.” It also led to a belief on the part of many students and faculty that “Education can give us nothing that is worth knowing.” The young and dynamic were enthusiastic about the new freedoms, while many older people became negative, skeptical and even hostile to the changes. The change brought private educational institutions into existence, some alternative places of learning became possible, private and external funding became available, and student and faculty mobility came about through the TEMPUS, ERASMUS, and SOCRATES programs. Some foreign expertise entered the system and faculty introduced new and interdisciplinary programs. Stefanova (2001) concludes, however, that much of the education legislation in the 1990s was “pseudo-new, still restrictive, especially in regard to private initiative and academic autonomy.” One of the authors of this sector analysis (Kraft), wrote an educational ethnography in Central America, titled *Everything Changes, Nothing Changes* (1995). It appears that the Bulgarian reality is following a somewhat similar pattern, in which most control still resides with the Ministry of Education and Science, and, while new public and private institutions have come into existence, little has really changed in day-to-day realities of educational control, classroom teaching, curricula, admissions, degrees, or diplomas. In conjunction with this, there has been a massive “brain drain,” as many of the country’s best and brightest look to the United States and Europe for advanced degrees and job opportunities.

The final educational transition began in 1998 with the official invitation of Bulgaria to start negotiations for joining the European Union. This has led to a flurry of legislative activity to pass laws, rules and regulations (80,000 pages total in all sectors), to bring the educational curriculum, assessment and quality assurance systems into harmony with Europe. It is our observation that once again, the new “European” laws, rules and regulations are likely to do little

by themselves to promote the creative people, democratic citizens, and critical thinking individuals needed by Bulgaria and all societies to face the tremendous challenges of the global economy. Bulgaria is thus left with the following educational challenges.

2. Major Education Issues in Bulgaria

- How to maintain the excellence of the elite secondary language and mathematics schools and elite university programs, while providing greater equality of opportunity for the urban working class, the rural agricultural poor, and the ethnic minority groups in the society.

“How can we decentralize finance, accountability, curriculum, human resources and other aspects of the educational system, when few of the important actors have had any training in how to administer schools.” -Former MES Official

- How to develop a creative, critical thinking spirit in all students, while maintaining a civic-minded commitment to the nation and membership in the European Union.
- How to encourage entrepreneurial skills in the next generation to meet the needs of the competitive global economy, while continuing a tradition of excellence in the academic arena.
- How to mainstream the special student populations into the regular schools in a way that does not destroy the educational opportunities of the rest of the Bulgarian young people.
- How to rationalize the primary, secondary, and higher education systems in the midst of falling birth rates, without destroying communities or the quality institutions which currently exist.

Bulgaria’s economic situation provides a backdrop for the challenges facing the society as it attempts to change its educational, health and broader social sectors. Without rapid growth in the economy, too many of the “best and brightest” will continue to emigrate for further education and job opportunities. Workers without computer skills will be unable to participate fully in the computerized technologies that have revolutionized production, delivery, quality, and low prices. Workers in the global economy must exercise judgment, initiative, critical thinking, creativity, and problem-solving skills, something which has been missing from traditional, theoretical Bulgarian education. Workers no longer just follow orders, but are called upon to exercise authority in the flattened hierarchies of modern business and industry. They are called upon to be involved in planning, repair and maintenance as members of teams. General literacy and information processing skills are important, as are “learning-how-to-learn,” skills.

“Over 98% of all the new jobs are being created by SMEs (Small and Medium Enterprises). We simply have to find ways to create an entrepreneurial culture.” -Labor Market Economist

While the growth in tertiary education is positive from the perspective of the society needing more white-collar, highly skilled professionals, there is little evidence that the current system at any level is meeting the skills requirements listed above. In fact, many observers indicate that Bulgarian classrooms are still dominated by rote memorization, authoritarian teachers, theory without practice, and little chance for children or young people to exercise their creative, problem-solving abilities.

Private education. The historical realities of Bulgaria precluded the development of a private sector in education at any level. The past decade has seen the development of some private

“Since we offer a high quality product, we attract outstanding students, however, the higher education environment in Bulgaria is not currently conducive to setting up private educational institutions.

-Private education leader

higher education and vocational training institutions of varying quality and cost. In order to achieve greater flexibility, particularly in light of rapid economic changes, most countries in the world have made it easier to set up private educational institutions. This has had the positive effects of providing needed technical skill training in needed areas, without waiting for the wheels of secondary or higher education bureaucracies to provide them. It has

also led, however, to many “fly-by-night” institutions claiming to provide needed skills or higher education degrees, with little or no controls or accountability on their quality.

School equity. Evidence from the 1995 World Bank survey, shows that the share of children not attending school was 5 per cent among ethnic Bulgarians, 10 per cent among Turks and 51 per cent among Gypsies (Roma). Roma children constituted half of all children not attending school while the share of this ethnic group in the total relevant population was somewhat below 10 per cent. The main reason for not attending school (38 per cent of cases) was described as “do not like school”. And ninety per cent of respondents who gave this answer were Roma children aged 7-15 years who had three years of education on average. Twenty-two per cent of them had never been in school. Among non-attendants of Turkish origin the average number of years of schooling was six. Among ethnic Bulgarian children who were not attending school, two-thirds had not started school because their parents thought they were “too young”. Another 21 per cent had decided that the process of their education had been “done” (UNICEF, 2001).

School Equity Statistics (UNICEF, 2001)

- The poorest 20% of the population had 9% of the educational expenditures in 1992 compared to 46% in 1992. By 1996, the poorest 20% had 4.6% of the expenditures compared to 51% for the top 20%.
- In 1998, the top 10% had 19 times (1900%) more spent on them than the bottom 10%.
- Only 12% of Roma children age 3-6 are enrolled in Kindergartens. Over 48% of Roma children of compulsory school age are not enrolled in school.
- Throughout the 1990s, there were massive enrollment falls in primary enrollments in the Turkish communities of Ardina, Kirkova, and Momchilgrad, and the Roma town of Sliven.
- In 1995, only 5% of the Bulgarian children of compulsory school age were not in school, 10% of the Turkish children and 51% of all the Roma children, who made up 1/2 of all non-attendeess.

“ We are ashamed and unable to send our children to the kindergartens, due to our lack of food, clothing, shoes, and the other “hidden” costs of free schooling. Our children feel out of place.” **-Roma After School Program Director**

Pre-school education. In the late 1980s, pre-primary enrollment stood at about 68 per cent but fell by about 10 percentage points in 1991, just after the price liberalization. This was largely because many families could not afford the rising cost of kindergartens. Another reason for that

is that women are the first to be laid off when unemployment rises. As a result, the utilization of kindergartens declined. After the initial transitional shock, however, children were gradually sent back to kindergartens. In 1998, enrollment rates in pre-primary education almost reached their pre-transition levels but capacity was still under-utilized (UNICEF, 2001).

TABLE 6. STUDENTS BY EDUCATIONAL DEGREES (THOUSANDS)

	1995/96	1997/98	1998/99
Preschool	254	220	219
Primary-Grades I-IV	434	426	412
Lower Secondary-Grades V-VII	384	369	365
Secondary-Grades IX-XII	373	349	343
General Education	(160)	(146)	(145)
Vocational Education	(213)	(203)	(198)
Higher Education-All Degrees	250	260	270
Specialist Degree	(25)	(24)	(22)
BA/BSc and MA/MSc Degrees	(223)	(234)	(245)
Ph.D. Degrees	(2)	(2)	(3)
Total	1695	1624	1609

Source: Bulgaria 1998, Social and Economic Development, pp. 54. National Statistical Institute, 1999.

Primary and lower secondary compulsory education. While net primary and secondary enrolments appear to be relatively stable, as indicated in Table 6, Bulgaria appears to have experienced a fall in gross enrolment rates in basic education (Grades I-VII/VIII) even though it is compulsory. The drop in enrolment, according to UNICEF, 2001 was one of the biggest in the CEE countries: from 98.4 to 94.3 per cent in only ten years. The overall decline can mainly be explained by a fall in lower secondary enrollment rates rather than a fall in primary education. In fact, while net enrollment in primary education was high and stable all over the period examined, lower secondary enrollment dropped by almost 9 percentage points between 1990-91 and 1995-96. And since then, the rates remain below their pre-transition levels. There is evidence that some negative changes have occurred in attitudes towards schooling. The ability to read and write, but not the necessary minimum of knowledge through the full course of compulsory education, seems to be considered sufficient for part of the population. This changing attitude is

"We tried to change the curriculum for grades V-VIII, but had a difficult time instituting interdisciplinary classes. The process of changing standards, textbooks, instructional methodologies and teaching time is very cumbersome and many parents, students and teachers are not open to such changes." -MES Official

strongly influenced by the lack of means to maintain a student at home and it explains the rise in dropout rates after the first three to four grades of schooling, observed during recent years. This may be especially true among children of ethnic minorities, in particular for the Roma.

Part of the increasing difference in enrolment by primary and lower secondary education is a statistical artifact rather than a real increase in out-of-school

children. During the last ten years many upper-secondary schools that admit students after the seventh grade rather than after the eighth grade have emerged. These schools are attractive for children as they offer more classes in foreign languages and information technology, both skills that are in rising demand in the labor market. The latter caused an increase in the number of younger students aged 14 years who were enrolled in upper rather than in lower secondary

education. This, in turn, contributed to the observed decrease in the enrolment rates in lower-secondary education. It is also consistent with the fact that taken together, the enrolment rate of children in compulsory-school ages (7-15 years), regardless of the educational level, remained stable. During the period of study, this enrolment rate stood at around 95 per cent.

Throughout the world, the middle levels of education, grades four through nine, are most problematic, depending on the particular makeup of a system. In Bulgaria, these problematic grades are the “junior high school,” grades V-VII/VIII that have become a problematic educational battleground. As indicated above, there are growing numbers of children who drop out before completing compulsory schooling and taking their grade VII/VIII examinations. There are many more who do not continue on into one of the many upper secondary institutions, thus effectively being thrust unto to job market at or before the end of compulsory schooling at age 15. The Grade VII/VIII examination is to be revised, but will it serve as an incentive to bring about needed changes at the level, or as a further hindrance to the reform of this level?

Closing of primary schools. One of the major problems facing rural Bulgaria is the closing of primary schools in small communities. While this has been “necessary” to meet the demographics, it has had significant negative effects on the communities, and even more devastating effects on rural, often predominantly minority children. While it is highly likely that many more schools will need to be closed and their teachers fired, Bulgaria could borrow from the highly successful model of multigrade teaching from Latin America, in particular the “Escuela Nueva”, or “new school” movement.

“When they closed our school, many of the children had to drop out, as there is no regular transportation to the city, and even when there is, it is difficult to get there in the winter.” -**Rural Parent**

General secondary education. In national statistics, the percentages of students listed in Secondary School have remained somewhat constant in recent years, between 77% and 78%. UNICEF, however, found the numbers to be some 10-15% lower; however, it is likely a question of whether the “lower secondary” was also included in the numbers. Not surprisingly, post-compulsory enrolment rates remained lower than their pre-transition level for quite a long time after the initial shock. Both upper secondary net enrolment rates (calculated for the age group 15-18) and age-specific enrolment rates of children of post-compulsory age (16-18 years) in any level stood at around 62-65 per cent for most of the period. After the decrease during the first half of the decade, the rates somewhat recovered and recently reached their pre-transition levels. This occurred alongside a change in the structure of secondary education. Although enrolment in technical schools dominated throughout the period, its share decreased from 60.0 to 56.8 percent of students. This occurred together with an increase in general secondary enrolment. (UNICEF, 2001).

As mentioned earlier in this document, the top-level special secondary schools are of “world class” quality. Students from the top schools regularly are admitted to the best universities around the world, leading many to eventually emigrate to the United States and Western Europe. The international studies on mathematics achievement in which Bulgarian children ranked among the best in the world are regularly raised as evidence of the high quality of the system. Researchers, however, have to date found little evidence of how deep this high quality is found throughout the rest of the system, or whether it is an artifact of high admission standards, a

rigorous curriculum, and at least in mathematics, an excellent pedagogic method. With the new Standards promulgated as part of the World Bank loan, there are concerns on the part of teachers that many of their students may not be able to fulfill the high expectations set by committees dominated by university professors.

Curriculum in Special Secondary Schools (National Observatory 1999)

Compulsory Courses four years after eighth grade or five years after seventh grade

- | | |
|---------------------------------------|---------------------------|
| • Two Foreign Languages | • Ethics and Law |
| • Bulgarian Grammar and Literature | • History |
| • Mathematics | • Health Education |
| • Computing Studies | • Geography and Economics |
| • Technology | • Philosophy and Logic |
| • Physics and Astronomy | • Pastoral Care |
| • Chemistry and Environmental Studies | • Music |
| • Biology | • Arts |

Curriculum of General Secondary Schools (National Observatory 1999)

- Bulgarian Grammar and Literature
- Foreign Languages
- Mathematics, Computing and Information Technology
- Social Sciences and Civic Education
- Natural Sciences and Environmental Studies
- Arts
- Culture and Technology
- Sports

The breadth and rigor of the secondary curriculum as listed above, indicate how difficult the system is, particularly for those in the elite special schools. Whether secondary students should

“Students graduating from either our specialized or general secondary schools have had little or no contact with the “real” world. Many have high expertise in theory, but have a difficult time seeing how it relates to anything outside the classroom. They are weak in problem-solving and in practice.”

-Group of Secondary Academic Teachers

take a few courses, in depth, such as is found in the U.S., Britain and other countries, or whether it is better to take a large number of classes for several years each, but for only one to four hours per week is a curricular question not fully answered by research. There is general agreement by national and international observers of the current Bulgarian academic secondary system, that instruction remains highly theoretical and there is little active learning, group work, critical thinking, creativity, or metacognitive (learning-how-to-learn), that goes on in

the classrooms of the country.

Vocational education. Table 7 indicates that while both vocational and general secondary education have been losing enrollment, due to the national demographics, approximately 60% of the secondary age students are in one or another of the various vocational or technical training programs. While it is admirable to provide vocational skills to such a large percentage of the age

group, there are serious concerns about the vocational training sector. The British Council (2000) report on vocational education concluded that

The initial VET system does not meet the demands of the emerging market economy and remains primarily school-based and theoretical. In the absence of an operational apprenticeship scheme or on-the-job training, practical training takes place in school workshops, which are often insufficiently and/or inappropriately equipped.

TABLE 7. TEACHERS AND STUDENTS IN VOCATIONAL AND GENERAL SECONDARY SCHOOLS

School Years	Vocational Schools			General Secondary Schools		
	Teachers	Students	Ratio	Teachers	Students	Ratio
1993/94	18,836	211,235	1:11	11,806	151,903	1:13
1995/96	19,008	212,401	1:11	12,736	158,968	1:12
1997/98	18,446	199,997	1:11	12,147	146,091	1:12

Source: National Observatory, 1999

In addition to the problems listed by the British Council is the over-production of literally thousands of certified and diplomaed people in occupational areas for which graduates have little or no possibility of ever obtaining employment. The system has recently begun to bring itself into compliance with the 18 EU occupational categories, the types of vocational schools that currently exist are listed below. Almost all observers agree that they are too many in number and generally outdated as to equipment and training methods. The Ford Motor Company, in the case of one "Transport" vocational school, has dealt with some of these issues through extensive financial and technical assistance. Some schools have been equipped by the German and other EU governments. One human resource planner suggested that the economy is currently only able to absorb graduates in three areas; informational technology, construction and tailoring, and that the other 15 areas under EU criteria were currently moribund.

TABLE 8. OCCUPATIONAL FAMILIES AND OCCUPATIONS/QUALIFICATIONS

Occupational Families	ISCED Level 3 Sec.Tech/ Voc. Post-Grad Voc. & Prof. Gymnasiums	ISCED Level 2 Vocational Technical Schools
Machine and Instrument-building	24	2
Electronic Technicians and Electronics	16	-
Transport	10	7
Chemical Technology	5	3
Construction	5	4
Forestry and Wood Processing	8	3
Agriculture	6	3
Food-processing Industry	16	12
Light Industry	14	6
Economics, Administration and Management	12	-
Metallurgy and Power Engineering	8	-
Photography	8	-
Polygraphy	4	-

Source: National Observatory, 1999

As can be seen from the statistics in Table 9, only 20.2% of the age cohort 16-25 is currently employed. Given the prestige of tertiary degrees, the lesser unemployment among university graduates, and the lack of meaningful work for most young adults, it is not too hard to understand the motivation for remaining in school. However, there is strong and growing evidence of a significant portion of the labor market being over-trained for the occupations they are currently occupying.

"A large percentage of our students are graduating from general secondary and vocational schools, not really prepared for the university or for the world of work."
- An MES Official and a University Professor

TABLE 9. LABOUR MARKET AND EDUCATION/TRAINING OF 16-25 YEAR OLDS (% OF PERSONS)

	Education/ Training	Employed	Unemployed	Others
Men	37.20	21.20	12.00	29.60
Women	45.10	19.30	10.70	24.80
Total	41.10	20.20	11.40	27.20

Source: USAID, UNDP. OS (2000)

Workplace know-how. The know-how identified by SCANS is made up of five competencies and three foundation skills and personal qualities that are needed for solid job performance. These are:

- 1. Workplace competencies:** Effective workers can productively use:
 - Resources-They know how to allocate time, money, materials, space, and staff.
 - Interpersonal skills-They can work on teams, teach others, serve customers, lead, negotiate, and work well with people from culturally diverse backgrounds.
 - Information-they can acquire and evaluate data, organize and maintain files, interpret and communicate, and use computers to process information.
 - Systems-they understand social, organizational, and technological systems; they can monitor correct performance; and they can design or improve systems.
 - Technology-they can select equipment and tools, apply technology to specific tasks, and maintain and troubleshoot equipment.
- 2. Foundation skills:** Competent workers in the high-performance workplace need:
 - Basic Skills-reading, writing, arithmetic and mathematics, speaking and listening.
 - Thinking Skills-the ability to learn, to reason, to think creatively, to make decisions, and to solve problems.
 - Personal Qualities-individual responsibility, self-esteem and self-management, sociability, and integrity.

The British, along with the EU have been actively involved in the area of technical and vocational education. With Bulgaria moving towards accession into the EU, and the high costs involved with any reform in this sector of education, it is not our recommendation that USAID be deeply involved in this sector of the educational system. This does not negate the strong perception and reality that much of traditional secondary education does little to prepare students

for real life, nor the need to radically reform the majority of technical and vocational schools. We would recommend possible USAID involvement in some type of School-to-Work/Career and/or computer assisted instruction programs within the traditional general secondary schools of the country (see Recommendations).

TABLE 10. TYPES OF SECONDARY SCHOOLS

Schools	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
General Secondary	3,538	3,360	3,381 22 private	3,356 31 private	3,321 35 private	3,180 43 private
Voc/Tech, Prof.Gym., Sec.Voc. Schools Vocational Sch.	566	494	531	553	574	541
Post-Secondary vocational schools						32 12 private

Source: National Observatory, 1999

Tertiary education. In contrast with the decline in the number of students in basic and upper secondary levels, the number of students following tertiary courses – non-university and university degree – increased from over 153,000 in the late 1980s to over 267,000 in 1999. The enrollment rate in education for the age group 19-24 increased by 60 per cent during that period. By 1999, it stood at 35.2 per cent. The rise in tertiary enrolment can be explained by a rise in both the demand for and the supply of university education. On the demand side, and in the context of high youth unemployment, there was the desire of young people to postpone their entry to the labor market and to increase their chances of finding a good job. On the supply side, the number of students increased not only because of the emergence of new private universities, but also because state universities were allowed to admit students on a paid basis in addition to the limited number of those who were traditionally admitted free of charge after they had passed a competitive examination.

The *Higher Education Reform Project* of the MES (2000) detailed the following difficulties in the sector.

- Inadequate quality of teaching and learning professionals and management of institutions, including:
- Outdated and inferior facilities, equipment and libraries;
- Reduced quality of teaching and learning due to inadequate resources being spread too thin;
- Lack of relevance of the higher education system and higher schools to the needs of society and the economy;
- Inadequate management structure and stagnated academic staff within most higher education institutions;
- Immature internal quality assurance system and an inadequately developed system of external accreditation; and
- Insufficient access to scientific information and information networks.
- Inefficiency and ineffectiveness in resource allocation policies:

- Institutional fragmentation and narrow specialization;
- Overdeveloped branch network of universities; and
- Reduction in overall level of funds allocated for HE and poor management of higher education institutions and higher education system.
- Difficulties in maintaining accessibility:
- New tuition fees which may serve as a future barrier to access for students with limited means; and
- An inadequate program of student loans and stipends to help students and families pay for higher education.

“There are only 439 Roma students at the university level, few teachers of Roma or Turkish origin. Most of our minority students see few role models in the schools and too many have lost their culture and language.” “We need to start in pre-schools to help our children find success and develop a multicultural education system all the way through the university, if we are to become fully functioning members of Bulgarian society.”

-Roma and Turkish Educators

Tertiary education in Bulgaria has been through a rapid expansion in recent years, now reaching a greater percentage of the age cohort than any other Eastern European or Central Asian country. The general consensus on the quality of higher education is that it has suffered a significant drop in quality in recent years. This is due to many factors, including the aging of the professorate, the too rapid expansion in the number of programs, lack of quality control mechanisms, and poor management.

Higher education in Bulgaria reaches farther down the social classes than that of many countries, but still caters to the more well off in the society. This is notoriously difficult to change or reform in any country. It is thus not considered to be a high priority for USAID intervention, particularly in light of the World Bank loan, which has a significant Higher Education component.

Post-secondary vocational education. Post secondary vocational education and training are treated separately in Bulgaria. One part belongs to the secondary education (post secondary vocational schools) and the other part to higher education (so called colleges). The first provides courses with different durations (between one and two years) and the certificate obtained after their completion is a certificate for secondary education. The second type of institutions has three-year programs and awards degrees for professional higher education specialists in various fields, where the field of competencies is specified.

Post secondary professional schools usually use the facilities of secondary schools, while the colleges have their own facilities. Some of them are independent higher education institutions, but most are still part of universities. This puts them in a very precarious environment since they have to compete with bachelor and master programs in their respective fields. This is among the reasons that colleges are not as highly requested or popular among the applicants.

While we strongly support the value and need for improvement and even expansion of the post-secondary vocational education system, it is our belief that it is inadvisable for USAID to expend limited funds in either the secondary or post-secondary vocational arena at this time. The EU,

World Bank, British Council and other bilateral arrangements are already being involved, and limited funds should be directed at areas of greater need and impact.

Non-university types of higher education have a long tradition in Bulgaria, which started more than a century ago when the first teacher training post-secondary institution was established. Post secondary education is a inexpensive and flexible tool for training and re-training in different fields and especially for adult education and lifelong learning.

Teacher training. Teacher training is a critical and problematic aspect of the Bulgarian educational system. Like many programs around the world, it is quite traditional and even “old fashioned.” Without a major overhaul of the teacher training system, it is highly unlikely that the teachers needed for the future economic and political growth of the country will be forthcoming. The current programs are of two types; the universities offer a five-year course in pedagogy, with each department offering its own distinct program, while pedagogical colleges offer a three-year course. Students tend to prefer the longer courses, due in large part to the bachelor and masters’ degrees conferred on graduation. This leads to a rather high cost for the production of teachers. Given the traditional nature of both higher and teacher education in Bulgaria, it also tends to stifle innovation. Departments of Pedagogy and pedagogical colleges do not generally have a high reputation for the preparation of teachers.

Postgraduate schools. In 1995 Bulgaria introduced bachelor and master degrees into higher education. The traditional structure of universities is an obstacle for designing and implementing interdisciplinary masters level courses. However faculties and departments would rather have students for bachelor programs than for a master’s degree, whose duration is usually one or one and a half years. Different faculties deliver the same courses at the postgraduate level, since there is no flow of information between different departments, even within the same institution. The preparation of Ph.D. students, for whom there is a growing demand, is very expensive. To solve the problem of interdisciplinary education at the post graduate level and reduce the cost of the studies, the development of postgraduate centers is needed. This structure appears to be appropriate for re-training graduates. Retraining has become necessary as a consequence of the overproduction of graduates over the last decade. In the future the number of graduates that need retraining or to up-date their skills will increase substantially. At the same time the number of possible applicants for the lower level of higher education is already declining. This means that the future of higher education will depend on its capacity to provide marketable postgraduate courses. Not all training needs a Bachelor or Masters degree attached to it. Some programs should be short term or modular re-training courses.

3. Improvement Efforts

The World Bank in its *Hidden Challenges to Education Systems in Transition Economies* (2000) states the five following objectives:

- Realign education systems with market economies and open societies;
- Combat poverty by increasing educational fairness;
- Finance for sustainability, quality and fairness;
- Spend resources more efficiently; and

- Restructure the sector's governance, management, and accountability.

•

The recommendations that are made in this report speak directly or indirectly to each of these development objectives. Many of the reforms are being funded under a three-phase World Bank loan, so we have attempted to concentrate the role of USAID (see following section) in areas not yet covered by the loan or under other bilateral or multilateral projects.

The World Bank document concludes that to meet the economic and civic imperatives facing Bulgaria and the rest of the Transition Economies, the school systems must develop the following.

- Knowledge that is broad based, so that they can respond flexibly to change;
- Solid foundation skills that support future learning;
- Adequate metacognitive skills (knowing-how-to-learn, or executive thinking, skills) and higher order cognitive thinking (problem-solving and interpretive) skills;
- Substantial experience in applying knowledge and skill to unfamiliar problems;
- Habits of exercising choice and voice; and
- Respect for differences and for shared rules of citizenship that establish the grounds for trust and cooperation.

Each of these recommendations is confronted in the proposed programmatic interventions dealt with later in this document. We also attempt to confront the following issues recommended in the same World Bank document. These are not easy issues, and do not respond to simplistic changes in curriculum, rules, regulations or even standard's setting. In our recommendations, we have outlined "proven" methodologies from around the world to confront these various serious issues.

- Educators must change what they teach (interpret, analyze, and apply information).
- And how they teach it (interactive, cognitive self management, initiative, learning how to learn, problem solving).
- Educators have to ensure that all students acquire foundation and higher order cognitive thinking skills (academic and applied learning).
- Adults should have opportunities to modify their human capital as skill demands change.
- Incentives for all players must change to support the new objectives.

All of these methodologies are confronted in the various recommendations made to USAID, as are the recommendations for a strategic partnership with teachers (teacher circles and in-service teacher education), alignment of new content standards with textbooks, examinations and assessments (World Bank loan), and teacher training on new methodologies.

a. Educational Policy and Reform

Nations throughout the world have been undergoing major reforms of their educational systems. While "cold war" pressures are no longer the major motivating force for reform, the economic realities of competing in the post-industrial era have forced every country to look seriously at its educational system. Mastery of the basic skills in primary education, along with the training of

technical and vocational secondary graduates and professional elites at the tertiary level have all been part of reform movements. Bulgaria is no exception to these reform efforts. The World Bank-funded Education Modernization Project of 2000 is a fairly comprehensive attempt at reforming the Bulgarian educational system. The project has among its many goals:

- Strengthening the Ministry of Education and Science (MES) management and technical capacity;

“MES appears to be stalled in its efforts to get the reform effort underway. There is real frustration both within the Ministry and on the part of international lenders and agencies.”

-MES Official

- New education standards and a standards-based curriculum;
- The collection and utilization of education information for monitoring and decision-making;
- The provision of initial training for inspectors, school directors and teachers;
- Expansion of a pilot program to decentralize spending decisions at the building level;
- Allocation process for resources and seats in higher

education;

- Competitive fund for improving teaching, resource management and internal quality in HE; and
- A modern student loan and stipend fund for HE.

While this \$82 million dollar program, in three phases, has targeted many of the critical areas of reform, it is far too early to judge the success or failure of the effort, particularly in light of changes in leadership in the MES and the change of government. However, from observers both within and outside the MES and from international observers and donors, there appear to be difficulties in getting the reforms underway. Given Bulgaria’s desire to join the EU and its need to align its educational system with that of other European countries, the major contributors to the World Bank-funded reform effort should likely come from the EU.

b. Priorities of Bulgarian National Education Plan: 2000-2006

In addition to the WB loan reform effort, the Bulgarian National Education Plan for 2000-2006 was published in 2000. The section, which follows, outlines that plan and some of the difficulties confronting the system.

The first priority of the *National Education Plan for Education* is **Access to Education** (National Plan, 2000). The plan states the need to overcome the differences in education and training for different social groups, “special attention should be paid to marginal social groups (socially disadvantaged, ethnic and religious).” The Roma and Turkish minorities are disproportionately found in the lower economic sectors of the society. As can be seen from the following tables, while the enrollments may be declining from primary through secondary and vocational education. The “claimed” percentage of students over a four-year period has not declined significantly. We use the word “claimed,” as there is strong and growing evidence that significant numbers of Roma children either do not enter school or dropout before the end of their required eight years of schooling. While the percentage of Roma children in the total school population is small, it is a growing percentage of the school age population, and thus an important group to reach.

TABLE 5. ENROLLMENT AND LITERACY (1996-1999)

Statistic	1996	1997	1998	1999
Net Primary Enrolment	98.0	97.6	96.8	98.0
Net Secondary Enrolment	78.0	77.6	77.4	77.0
Adult Literacy Rate (Percentage of total Population)	98.2	98.2	98.3	98.3

Source: Bulgaria, 1999. UNDP, 2001

A second priority of the National Plan is stated as the **Education and Training of People with Special Needs**. The plan states that there is an exceptional discrepancy between the needs and the conditions for training disabled people and other special needs groups. It calls for the qualification and training of teachers and the “successful reintegration and re-socialization of the people from the socially disadvantaged groups.” This implies what is called in the rest of the world as “mainstreaming,” special populations into the regular school setting. We agree with this priority.

“Too many special needs children are currently warehoused in special schools. We need to find ways to bring them into the regular classroom and make them members of our society.” -MES Official

The third priority of the Plan calls for legislative and financial mechanisms for equal opportunities to education and includes the **elimination of paid education, upgrading the system for financial support and the elaboration of a system of students’ loans**.

Lifelong learning with curricular for adult education and training is another component of the access to education goal of the national plan.

Another major goal of the National Plan concerns an **adequate infrastructure**. There can be no question that many of the “regular” schools are old and dilapidated, vocational schools are outdated and ill equipped, and few buildings meet the needs of special populations. Yet, we do

“If we only had computers for all our students, IT laboratories in all our schools, and rapid connections to the Internet, all our problems would be solved.”

-Message given by numerous teachers and officials.

not recommend that USAID get involved in this role at this time. Any one school could take all the limited funds available, thus leaving nothing for the promising systemic changes we have suggested.

Another priority calls for an **upgrading of the standards, including teacher training and qualifications**, and the systems for **evaluation and**

quality assurance in education. We concur that the upgrading of standards and the areas of evaluation and quality assurance are crucial areas of educational reform. As indicated earlier, there may be some U.S. technical assistance offered to the MES to assist in this, but the major role should likely be born by EU consultants. As to teacher training and qualifications, we have made very specific suggestions on where USAID might be involved in Minority teacher training and effective in-service education.

The final priority of the education system for the six-year period calls for the improvement of the **Effectiveness of Education**. We believe that this topic is dealt with throughout our brief overview of the Bulgarian educational system, and that our suggested interventions, along with

the recommended research and evaluation will assist the system in achieving its goal of becoming a more effective system.

While these may be admirable goals, we do not believe that USAID should become involved in this arena at this time. These priorities are also being dealt with in the World Bank loan program, and thus USAID involvement could be redundant. We concur that training programs for labor market demands, an information system for interested stakeholders, and the financial provision of education are admirable goals, but a small focused program from USAID would make little difference in this arena. In the arena of Distance Education Curricula, also a national goal, USAID might be able to make a contribution in the area of Instructional Technology.

3. Summary of Education System Status

Much more could be said on the educational system of Bulgaria. Suffice it to say that the country, like many of its fellow Eastern European countries has managed to develop a highly talented group of people at the top, but in recent years has seen its educational system increasingly irrelevant to the needs of its broader citizenry. Various international organizations (World Bank, UNDP, the Open Society, British Council, UNICEF) have written extensively on these topics, and this short paper is not meant to replace those excellent reports. It is, however, meant to offer USAID with a set of possible interventions that have made a difference elsewhere and in which it might fill a critical and missing niche in the Bulgarian context.

USAID can have an important, even critical, role to play in the educational arena. With limited resources, it is absolutely critical that whatever educational interventions it undertakes have sufficient resources to actually make a difference, and that there be a realistic chance that they will succeed. We also believe that these resources should be spent in reaching those sectors of the Bulgarian society that are in greatest need. An additional factor in our recommendations has been the future of Bulgaria as part of the EU, with its many educational expectations, rules and regulations.

For this reason, our recommendations shy away from putting money into either vocational education or training or into higher education, except as it relates to management or policy issues. While both of these sectors are extremely important, they are not easily amenable to change, without large investments of time and money. We have therefore concentrated our recommendations on those aspects of the school system that affect large numbers of primary and secondary students, in addition to meeting the needs of the poorest segments of Bulgarian society. Our recommendations have focused on in-service teacher training, private education policy, charter schools, school decentralization and local control, entrepreneurial education, school-to-work/career programs, service learning, civic education, multigrade rural instruction, special education, and multicultural and bilingual education.

C. SUGGESTED USAID INTERVENTIONS

Entrepreneurial training program. To change a culture after fifty years from a socialist economic system to one of entrepreneurial risk taking is something that cannot occur at only the

adult retraining level. It must occur in the school level, and not only at the secondary and post secondary levels. It is a way of looking at the world that must begin as early as the primary grades. One educational arena in which the U.S. has been quite successful is that of entrepreneurial education. Entrepreneurial education could be introduced as part of the social studies, history, economics, civics and other ongoing components of the school curriculum. Given the difficulties of anything “new” entering the curriculum it should likely be embedded in one of the current courses, not just at the upper secondary levels and vocational schools where a few examples currently exist, but throughout the primary and lower secondary levels also. While it is not the only “package” on the market, Junior Achievement is already found in some 20 schools in Bulgaria and has worked all over the world in instituting entrepreneurial education into the curriculum. This U.S., Colorado Springs based group could make a significant contribution to the future of both schools and the Bulgarian economy.

Assisting the MES with reform efforts. The MES appears to be having difficulties getting its WB loan reform program underway. USAID has a long history of technical and managerial assistance the Ministries of education in educational reform and restructuring efforts. Therefore, it might be worthwhile for USAID to offer services of its consultants in assisting the WB loan group in the MES. A technical assistance project to work with the WB project team and others in the MES to move the project along. This could involve a range of technical assistance including decentralization, standards, accreditation, testing centers, and management. █

Municipal education, principal, inspector, and school board training program. While most school officials in Bulgaria have experience as teachers, few have had any training in all the many aspects of administering and managing a school. Neither are municipal directors of education or members of Boards of Trustees receiving any training. The United States has over two hundred years of a decentralized educational system. Since schools make up such a large portion of the local and national budgets, we believe that this is a prime target of opportunity or niche, which might make a real difference. While we do not believe that there should be extensive training courses (several years in length) set up to train principals, directors and Boards, we do believe that USAID could work with a university or in-service training center to set up a center which would facilitate the decentralization process. This could involve a wide range of issues and topics, including: accreditation, curriculum development, school management and financing, personnel administration, lifelong and community education and a range of other issues.

School choice- A charter school program. Unless school reform in Bulgaria reaches down to the individual school and provides actual differences in curriculum and pedagogy, the reform of education remains but a structural phenomenon. The current educational environment is one of over regulation. A charter school program is predicated on greater flexibility. The U.S. now has a range of choice options available in almost every state in the U.S., and extensive experience with the needed policy and practice changes needed. A pilot program could be developed in which a municipality could be designated as a site to experiment with school choice. This would necessitate some national policy changes to

“There is almost no variation in the types of schools in Bulgaria. It is ‘one size fits all.’ A few private schools for the elite have tried some new and different things, but for the most part schools are depressingly similar.”

-MES Official

permit and even encourage educational experimentation, and the training of parents, teachers and administrators in new methods of structure, organization, curricula, testing and pedagogy. While school choice is neither the panacea claimed by its proponents, nor a dramatic failure as claimed by its opponents, it does appear to have opened up a wide array of educational alternatives, not previously available in the old monolithic, traditional public school sector. While economic, political and religious conservatives generally support unlimited choice of schools, public or private secular or religious institutions, and the dominant U.S. model has been that of publicly supported charter schools. The charter school model provides students and parents with options in their choice of school, while permitting educators the opportunity to try out new curricula and pedagogy, freed from many, if not most, centralized educational policies.

Private education policy reform. There is neither sufficient current legislation to encourage the development of private primary, secondary, vocational or higher educational institutions, nor a mechanism to assure accountability. The U.S. has perhaps the most highly developed private vocational and higher education system in the world. In addition, the accreditation models from the U.S. are now being replicated throughout the world. A project to rewrite educational rules, regulations and legislation could facilitate this process, along with the design and setting up of an accountability agency or mechanism to assure quality control.

Special education in-service training program. The mainstreaming of special children into the regular classroom is one of the most difficult tasks facing any society. It does not occur without extensive teacher training on pedagogical methods or costs to the educational system and broader society. A special education “mainstreaming” project could be set up in one or more of the municipalities or regions to train teachers on how to bring sight and hearing impaired children, those with learning disabilities, developmentally disabled and other special populations into the regular classroom. Such a center should likely be set up through one of the In-Service Teacher Training Centers in Varna or Sofia. While this is a stated goal in Bulgaria no one, to our knowledge, is currently doing anything in this area, and the U.S. has over two decades of experience (not always successful) in how to go about this process.

Computer education in-service training program. While there is no question that Bulgarian students need to be computer trained and internet savvy, there is also little evidence throughout the world that such connectivity and training will “solve” all the educational issues of Bulgaria or any other country. Having raised the caveats, we still believe that a legitimate educational activity could be in the area of instructional technology, computers, internet connections and other “technical” fixes. A currently USAID (AED) funded activity is already involved in this arena, and could be expanded to involve additional schools, hardware purchase, teacher training, and software development.

Language and general pre-school education for poor and minority youth. While there may be value in funding post-graduate programs, we recommend that USAID concentrate on its more traditional roles funding programs, which meet the needs of the nation’s poorest and needy citizens. Higher education and particularly post-graduate education, while critical to any society, is not among the most critical needs of contemporary Bulgaria. The issues of language and general nutrition, health and welfare of children age 3-7 has reached critical levels in many rural villages, particularly those in which the primary school has been closed in recent years. Unless

many more of these children are reached before regular primary school, dropouts in later grades are likely to increase, significant numbers are likely to continue to be considered “slow or retarded,” for linguistic reason. The U.S. has almost four decades of experience with Head Start and the critical roles it plays in meeting the needs of minority, second language and children from poor homes. A preschool training program involving the growing numbers of “redundant,” trained teachers, as well as newly trained members of the minority communities could be set up, with an emphasis on the mother tongue, basic Bulgarian language, nutrition and health, and social welfare.

Rural multigrade training program. While many parents and most teachers would prefer not to teach a multigrade class, it is generally preferable to closing a school or losing one’s job. In addition, the New School movement from throughout Latin America has proven that through a combination of teacher training, special instructional materials, cross-age grouping and promotion, and other interventions, poor rural children can actually outperform urban children. A special in-service training program, combined with the formation of Teacher Circles in impacted areas, and a materials preparation program could assist in keeping many of these small, rural predominantly minority schools open. USAID funded several Escuela Nueva projects (Colombia, Guatemala, and Nicaragua), before their becoming part of large World Bank loans. The World Bank, UNICEF, and USAID have all declared these schools as THE model primary schools for the 21st century.

The junior high “middle” school. Middle level children are at a critical stage, with many systems moving such schools towards, flexible scheduling, interdisciplinary team teaching, cooperative and team learning, community involvement through service learning, hands-on, active instruction, emphasis on health, physical health, nutrition, and character development. For three decades the U.S. has led the world in changing this level. It is not without controversy, but there is general agreement that children need a different kind of education offered in either the protective environment of the primary school or the academic or vocational emphasis of the current Bulgarian Secondary school. USAID could join with other donors to assist in the development of the curriculum, standards, and textbooks, in-service teacher training, testing and other activities, which might improve with the level of the system.

Service-learning and civic education program. While the highly gifted, academically inclined are likely to continue succeeding in the Bulgarian educational system, a growing number of students are becoming de-motivated, acting out in class, and even dropping out. Students must begin to see the “relevance” of what they are studying. In-service training for teachers could be conducted to introduce them to the concepts and ideas of service learning, a program to “bring the community into the school and the school into the community.” All subjects can have components that link the curriculum to the community; biology classes working on environmental projects; chemistry classes monitoring air and water quality; social science classes working with issues of hunger and homelessness; civics classes leading Kids Voting programs, and children at all ages involved in peer and cross-age tutoring. Social studies teachers also are trained in civic education materials, including methodologies of simulations, debates, model parliaments and courts, and other active methodologies. Countries all over the world now have started service-learning programs, with over 75% of all U.S. high schools, hundreds of universities and thousands of primary and middle schools being involved. It is a proven

mechanism to improve student motivation, link the school and community, and tie theoretical, in school learning to the community. Civic participation is not learning only in a formal classroom, but in active community participation and thoughtful, active reflection in school. Several NGOs currently working in Bulgaria could assist in the civic education arena.

School-to-work program. With a large percentage of the students in vocational and technical schools not receiving training for a job that will exist, Bulgarian students in the general secondary receiving no training whatsoever, and the fact that in a rapidly changing economic environment, students need a basic work skills and knowledge of the work environment. Almost every country in the world struggles with the dilemma of how to educate and train its secondary graduates to be prepared for either higher education and/or the world of work. While much of Europe has developed systems in which students receive a differentiated secondary education, the U.S. continues to struggle with preparing students for both universities and for a career. The U.S. has been a leader in the world of School-to-Work programs since the late 1980s with the SCANS report. That report outlined the Workplace Competencies and Foundation skills needed for the 21st century. While it is not universally successful, School-to-work does provide students with practical experience in the work place, while providing a sufficiently strong academic program to permit them to go on for higher education. While a School-to-Work program would be difficult to carry out in most small towns and villages of Bulgaria, it is generally possible in the increasingly urbanized environment for a wide range of observation, workshops, apprenticeships and internships to occur on-the-job, something recommended by almost all observers of the Bulgarian scene.

Multicultural and bilingual pre- and in-service training program. While we support a major overhaul of pre-service teacher training, it is not as high a priority in-service training. We do however, believe that a special multicultural and Bilingual pre- and in-service program is an extremely high priority. While the Roma and Turkish minorities are still a comparatively small percentage of the overall population, they are a rapidly growing segment of age 0-19 cohort and will become an increasingly significant portion of the workforce in the next 50 years. With one worker already supporting one pensioner in the country, it is in the broad self-interest of the society to be sure that all children, not just Bulgarians, receive the best possible training to become fully functioning contributors to the economy and the broader society. A multicultural, bilingual program could be created through a university or in-service teacher training site to not only train in-service teachers working with minority children, but could also serve as a center for materials production, a pre-service program, textbooks, and other needed materials. Bilingual, multicultural education has been an imperative in the United States for many decades, and many successful models have been developed for working with Native and immigrant populations. The successful ORAVA project in Slovakia, funded by USAID, is now working with minority children in that country.

Teacher education. As significant as the quality issue in pre-service teacher training is, the decreasing student population in the schools suggests that very few new teachers will be needed in the profession in the coming decades. USAID could consider the following: 1) Design a new system of teacher training with a special focus on in-service training. This might include special programs for the retraining of unemployed professionals from other fields of endeavor to become teachers. 2) assist in the development of new curricula for pedagogical colleges and departments

of pedagogy, with special attention to training pre- and primary school teachers. Teachers with foreign language competence are in high demand, but few pre- or in-service programs currently prepare such teachers. 3) The organizational status of both colleges and departments for teacher training within the university structure is currently problematic. Their possible independence could be explored along with the opening of the teacher training market to private providers. The legislative framework for teacher training needs a major overhaul. The development of teacher-circles, utilizing a “teachers-training-teachers” model, is a model in which teachers from a municipality of adjoining rural schools meet on a regular basis, sometimes in conjunction with a teacher training college or university, to develop classroom based curriculum materials, develop appropriate pedagogical strategies, and support each other in improving their schools and classroom.

CHAPTER 4: SOCIAL PROTECTION ASSESSMENT

A. INTRODUCTION

Social protection in Bulgaria encompasses a broad set of services provided primarily by government agencies to address social needs. This assessment examined the social needs setting and the social protection system to identify possible USAID assistance options to improve the country's ability to meet social needs. Assistance recommendations are targeted toward the government, NGOs and the private sector. The assessment introduces ways that the social protection system can be expanded to include a variety of non-governmental components, e.g. NGOs as well as private business, some of which are already addressing social sector needs. The assessment also identifies the efforts of other donors in the social protection area.

B. ANALYSIS OF THE CURRENT SITUATION

1. Major Social Issues in Bulgaria

Social needs in Bulgaria are extensive and appear to have become increasingly severe during the past few years. The absence of an official poverty line for Bulgaria makes analysis difficult, however Bulgaria is cited as the poorest country among the current EU applicants.²¹ Hyperinflation and currency devaluation during 1996-1997 were responsible for pushing large segments of the Bulgarian population into poverty.²² Poverty by all accounts is spreading and deepening for segments of Bulgarian society. Observers generally point to a worsening poverty profile for the country, with some population segments especially vulnerable, including: remote rural residents; minorities, such as Roma and Turks; large households with many children; pensioners; and low skilled workers.²³ A recent study reports that 75% of adult Bulgarians "...live with the feeling of poverty."²⁴ A recent article laments that 10% of Bulgarians (800,000) have no access to a family doctor largely because of low income²⁵

FIGURE 2. PERSISTENTLY POOR

- Rural Households
- Ethnic Minorities
- Large Households (4+ or more)
- Low Education/Skill Level
- Heavy Reliance on Pensions, Social Transfers, Unemployment Payments for Income.

Source: Bulgaria: Poverty During Transition, World Bank, June 7, 1999

Bulgaria is currently experiencing high unemployment with a rate between 18 and 40 percent. Official unemployment, which is so high today, did not exist prior to about 1990. Since poverty

²¹ Draft Bulgaria Country Assistance Strategy, World Bank, May 2001

²² Humanitarian Feeding Program, December 1997 – August 1999, Final Survey Report, American Red Cross – Bulgarian Red Cross, June 2000.

²³ Bulgaria: Poverty During the Transition, World Bank, June 7, 1999; Bulgaria: Common Country Assessment, United Nations, 2000.

²⁴ Quality of Life and Social Assistance in Bulgaria: Public Perceptions, Attitudes and Expectations, Lilia Demova, Agency for Social Analyses, Sofia 2000.

²⁵ Survey by the Social Democrat Institute, reported July 25, 2001

and unemployment are inter-related, it is no surprise that the groups most vulnerable to poverty also experience the most unemployment, particularly long-term unemployment. Interviews indicated an unemployment rate ranging from 18 percent (official) to 38 percent (unofficial), with the figure swelling to over 90% in some of the poorest rural minority communities. Moreover, the “job finding probabilities in Bulgaria are the lowest in Central and Eastern Europe...suggesting a chronic inability to create jobs.”²⁶ Recent World Bank estimates state that two out of five Bulgarian Turks and four out of five Roma live in poverty. Moreover, there is very low turnover in the high unemployment rates, meaning that the very poor are staying very poor.²⁷

There is a high degree of inter-relatedness among many of the social problems in Bulgaria. For example, high unemployment means fewer people are contributing to pension plans. The current estimated ratio of workers to pensioners in Bulgaria is .95 (i.e., less than one worker for each pensioner). Experts peg the desired (i.e., financially sustainable) ratio at 4.0 (i.e., four workers for each pensioner). The unfavorable trend has persisted since 1993, when the ratio was 1.15 (slightly more than one worker per pensioner). A continuation of this unfavorable trend portends further weakening of the pension system’s financial viability and ability to satisfy future claims.

Unemployment and poverty create demands for financial assistance throughout the country, including pensions, payments to the retired and elderly, payments to the disabled and handicapped, and to the unemployed.

2. Social Protection System

The practice in Bulgaria has been, and is, for the Government to assume responsibility for meeting social sector needs, from health and education to social assistance, pension and employment, and labor support. One result of this approach is that citizens come to expect that the government will provide the needed services, and to some extent citizens resist changes in the system, even in light of deteriorating service levels.

The Bulgarian Social Protection System operates at the national, regional and municipal levels, with each level having distinct functions and responsibilities. Table 1 summarizes these levels and provides an institutional context for the assessment. The table reflects the broad range of social needs that exist and are currently addressed in Bulgaria.

Table 1 illustrates the elaborate governmental system that has been developed to address social protection needs in Bulgaria. The government system that has developed is both large and complex, with services provided through regional or municipal branches of three independent public agencies -- The National Social Security Institute, The National Employment Agency, part of the Ministry of Labor and Social Policy and the National Social Assistance Center, and the offices of the municipal governments. Broad policy direction, as well as overall control, is centered at the national level, which provides a substantial portion of the financial resources for social services.

²⁶ Bulgaria: The Dual Challenge of Transition and Accession, World Bank, February 2001

²⁷ Draft Bulgaria Country Assistance Strategy, May 2001

Each of the service agencies differs significantly in their structure and in their technical and information capacity to serve the public. Together the three national agencies have an extensive office network and a large number of employees relative to the size of the country (total of about 24 000 staff). These offices are in addition to the 262 municipalities located in 28 regions. Municipal governments are a crucial component of the social protection system, and hold the major responsibility for providing specific services. They are charged with providing social assistance payments, making health insurance contributions, and covering the costs of the needs of special groups. Yet the municipalities are finding themselves increasingly in a position where they do not have adequate financial resources to fulfill the obligations with which they are charged. The funds received from the central government for their budgets, plus the funds they raise or retain from local taxes, are insufficient to meet their needs.

Current dialogue on social protection needs and problems focus on unemployment and give little attention to issues such as domestic violence, ethnic relations, and an aging population. We address service gaps and other shortcomings in the analysis and recommendations below.

TABLE 1. BULGARIAN SOCIAL PROTECTION – GOVERNMENT INSTITUTIONAL STRUCTURE

Social Protection Domain/Level	National	Regional	Municipal
Social Assistance	Policy set by: Ministry of Labor and Social Policy; National Center of Social Assistance.	Regional Social Assistance Services (28); control and methodology.	The municipality is responsible for provision of social assistance under the Social Assistance Act of 1998, which primarily involves processing or authorizing in-kind or financial assistance. Provides: -Supplements as needed to qualified wage earners to reach Guaranteed Minimum Income level; -Monthly children's allowances; and -Payments to eligible mothers under the Law to Encourage Birth Rates of 1968. Special assistance to qualified handicapped persons as specified in Handicapped Persons Law of 2000. Special assistance may cover such items or services as telephone, transportation, and prostheses. The National Center of Social Assistance municipal offices conduct surveys to verify eligibility for social assistance.
Pension/Social Insurance	Policy set by: National Social Security Institute (NSSI) Collects all insurance contributions; including health and unemployment contributions; Conducts audits of the collection of contributions at companies. Maintains records of persons eligible for all types of pensions. Serves as linkage with Civil Register System to maintain accurate records.	NSSI (28) regional offices; Collects all contributions (for 6 funds: pensions; labor; accident insurance; insurance for temporary incapacity; unemployment; health insurance; Contributions to 2 nd pillar of private pension fund). NSSI supervises staff as required. Controls short-term payments from employers (for sick leave, maternal leave, etc.), to employed persons. Responsible for the program for the prevention and rehabilitation of sick people. Responsible for certifying eligibility for all types of Pensions	Informal offices maintained in 21 larger cities to assist people, such reviewing their documents for pension eligibility. No NSSI offices in municipalities. (Note: There is no obligation under the law to establish the offices, which in fact have limited formal authority, but provide a valuable review function.)

Social Protection Domain/Level Labor Market	National	Regional	Municipal
	Policy set by: Ministry of Labor and Social Policy; National Employment Service (NES).	Regional Administrations (28) implement national labor policy; control and methodology functions; work with municipalities to implement national policy.	Municipalities (262) prepare regional employment plans and programs. NES Municipal Office defines and pays unemployment compensations and assistance (for up to 12 months); maintains register of unemployed persons; maintains records of job offers; and reports to NES/Sofia.

3. Shortcomings in the Social Protection System

Service gaps. The social protection system does not adequately address a broad range of social needs. Discussions about the social protection system in Bulgaria typically turn to the lack of an adequate safety net and the inadequacy of services provided. Comments and observations focus on the inadequacy of the level of the pensions, as well as the difficulty in obtaining other services. Services, such as refuge and assistance for victims of domestic violence, and employment services for disabled, are virtually non-existent.

There are clear indications of the limitations of the social protection financial assistance. For instance, the monthly child allowance is the same for the poor and the non-poor and in both cases it is too little. Both groups are eligible to receive same sum (8.5 leva), at a time when resources are very scarce. Further, as noted previously, many municipal governments are unable to make complete social assistance payments to eligible citizens.

Another example of the inadequacy of the social protection system is presented in a recent report that states that 29,500 children are at risk of institutionalization due to the indigence of their parents²⁸). Disabled children are another group currently unprotected by social policy. The recent establishment of a Child Protection Agency is a positive step. Yet, discussions during the assessment indicated that the new agency has virtually no power or authority and relies on the cooperation and collaboration of other agencies.

Trafficking in persons for the commercial sex trade was cited as another important and neglected issue. Although the precise number of trafficked women is unknown, experts estimate it at about 10,000.²⁹ According to these experts, most of these women were victims of domestic abuse and were forcibly recruited into the sex trade. Safe residential facilities to help them escape the trade are very scarce in Sofia, and virtually nonexistent in the rest of Bulgaria. Experts report that there are a total of 18 beds in protective shelters in Sofia.³⁰ Apart from Dutch support, donors have not been involved in this area. The few NGOs devoted to dealing with the problem (e.g., Animus Foundation) need substantial support both to push for legal protection and to expand services to these victims.

Further, there is no national policy dealing with the problem of spousal abuse (i.e., domestic violence). Women lack basic rights and protection with respect to domestic abuse, which is viewed and treated as a private or civil matter.

Public discontent with social protection services. This assessment is not intended to be a thorough evaluation of the quality of social protection services in Bulgaria. Yet it is clear to us that there is discontent among the Bulgarian people with respect to social protection services. The magnitude of this discontent was demonstrated by interviewees who expressed strong negative attitudes towards the process of obtaining social assistance, emphasizing that the process was time wasting, exasperating and run by “incompetent” and “callous” people. Some

²⁸ Bulgaria: Common Country Assessment 2000, United Nations, p. 58

²⁹ Animus, Ibid

³⁰ Animus, Ibid

went so far as to admit that they avoided any contact with the process and routinely did not pay their contributions and taxes.

Limited public and private sector involvement. A major omission of the social protection system in Bulgaria is the lack of private sector involvement. As noted previously, the government traditionally has assumed social protection responsibilities and Bulgarians have come to look to the government for assistance. However, the government institutional framework and structure is inadequate to the social needs of Bulgaria. The lack of private participants in a Social Protection System is denying the country valuable resources needed to effectively address pressing social conditions. It has only been in very recent years that some private sector involvement has emerged within the social protection system. It is likely that there will be, and can be, increased private sector involvement in the future. However, for the present, private sector involvement remains limited.

During the assessment we were informed that nine private companies are now participating in the pension system. In the employment area some private employment agencies have been established, although it is not clear how they relate to government programs or fit into the larger system of employment. Similarly, a few NGOs are providing social services, although still on a very limited scale. The few NGOs that are involved in social protection programs tend to focus on direct service provision to special needs groups that do not receive adequate assistance from the government. Such programs include: the Center for Independent Living and the Psychological Center for Research which are working with handicapped; Animus which is concentrating on issues and assistance to women and addressing issues of domestic violence; and the National Social Rehabilitation Center in Bourgas, funded through the USAID Democracy Network program, which is providing assistance for disabled persons. In addition, a few international NGOs, including CARE and ICMC, are working with local NGOs on special issues and are focusing attention on women trapped in trafficking, re-integration of women into society, and on domestic violence.

**FIGURE 1. CHALLENGES FACING THE
SOCIAL PROTECTION SECTOR IN
BULGARIA**

- Widespread and deepening poverty
- High unemployment rate
- Limited financial resources
- Conflicting social protection policies
- Overlapping institutional responsibilities
- Weak inter-agency communication and collaboration
- Ongoing reform of practically all social protection sectors
- High proportion of the population needing social assistance and care
- Insufficient involvement of the private sector in the social protection system
- Lack of modern facilities and technologies in the social protection system
- Extensive unmet or under-met social needs, particularly ones in which direct service is required or appropriate.

Outside of these organizations, private sector and civil society participants in the Bulgarian social protection system are still few in number, although USAID and other donors are expressing interest in assisting NGOs develop their community based approaches to addressing social problems.

Institutional barriers. Despite the extensive official social protection network, citizens do not receive adequate or comprehensive assistance services, and some social needs go unmet. Factors, which affect the quality of service received, include:

Centralization. The existing centralized system within the government is not conducive to meeting the social needs of Bulgaria. The lack of control of resources, and the misalignment between resources with responsibilities, is drastically impeding the ability to meet social needs.

Location of offices. The offices and staff are concentrated in the 28 regional centers and 262 municipal centers. This means that residents of the smaller municipal centers have limited access to comprehensive public services while a large part of the population, those living in small and remote settlements, is totally deprived of public service.

Transportation availability and costs. An underdeveloped and exorbitantly expensive, relative to the income of the population, public transportation system is a further deterrent for many people to gain access to social assistance. It is often times the case that the cost of a trip to an office exceeds the value of the benefit.

Offices are scattered. In larger cities that have several public service offices citizens must go from one office to another to provide or obtain a wide variety of documents and information. This process can be exceedingly time consuming as well as costly. In addition, citizens report that they often are subjected to bureaucratic abuse.

Inadequate Capacity for Exchanging Information. The three major agencies lack the technical and regulatory capacity to exchange the necessary information. This inability contributes to an overlapping of functions and activities, causes significant inconvenience for the clients, increases the costs of the service, and triggers public discontent. Further, this fragmented approach to social protection services often breeds abuse of the social benefits system, as evidenced in the payment of the same type of benefit by two or more agencies. A classic example of the difficulty and dilemma of communication among agencies is that of determining eligibility for social assistance. Eligibility is determined by employment status. This means that the local labor office, which must certify one's unemployment status, in effect determines who is eligible for social assistance. Yet the local social assistance office has no way to communicate efficiently with the labor office to routinely monitor eligibility.

Passive approach. The Bulgarian government has adopted a passive approach to social protection services. The approach emphasizes legislation, regulation, and payments as solutions to social problems. With few exceptions, proactive, non-financial services are not a part of the system. The elderly, handicapped and others who are eligible for assistance, receive payments, but receive little assistance with daily living problems e.g., help in the home or in adjusting to new conditions. The personnel of the social protection agencies generally are not trained to provide this type or level of personal service. Rather, their role is to process papers to see that proper authorizations and payments are made.

One exception is the National Employment Service, which *does* attempt to match individuals with jobs, and to provide some counseling and advice with respect to training and looking for employment. Under special programs, such as Quick Start, which is administered by the NES, individuals may receive special training or other referral services.

Another facet of the passive approach is the government's tendency to turn to institutionalization as a solution, e.g. sheltered workshops or factories for handicapped persons; and residential institutions for children, the elderly and the handicapped. The institutions are generally thought to be unsanitary and unsafe. More importantly, these institutionalized approaches are now being criticized as a means of isolating disadvantaged groups from mainstream society rather than mainstreaming them.

Social protection in Bulgaria is passive also in that it does not contribute to economic development. Our research suggests that social assistance in Bulgaria is largely viewed as the handing out of small sums of money to many people, rather than strategically expanding or creating new employment or other income generation opportunities for the long term. We gained the distinct impression that many recipients view social assistance as an end itself (i.e., a form of "salary") rather than as a means to improve one's condition in life. The provision of the financial assistance is also not explicitly linked to the achievement of specific economic development goals.

Conflicting Pressures. The social protection system is characterized by a set of conflicting and possibly contradictory pressures. For example, increasing unemployment leads to greater demands for social assistance, which means more pressure on municipal governments to provide that assistance. Yet, municipal governments are increasingly unable to pay their social assistance obligations. A 1999 analysis stated that 86% of the municipalities were not able to pay the Guaranteed Minimum Income (GMI) amount and, on average, they experienced a 30% funding deficit.³¹ The report cited several reasons for the deficits: lack of resources; poor budget planning; use of current resources to clear past arrears; and the use of resources for other purposes. Penalties for municipal failure to meet their expenditure obligations are either negligible or ignored. Our field interviews also revealed municipal funding shortfalls with municipal officials noting that they are able to pay only 50-60% of the eligible social assistance. This admission was particularly alarming since it was made in July 2001, about half way through the calendar year.

C. SUGGESTED USAID INTERVENTIONS

As a result of the assessment we have identified a broad range of options for possible USAID interventions in the Social Protection area. The following discussion will present major options with a brief description of what might be done with respect to each. This section is divided into eight topic areas with options presented for each. This approach has been taken here since the Social Protection Sector is best approached as a system of integrally related components or sub sectors.

1. Social Policy

Social policy issues needing attention are briefly presented below. We recognize these are but a few of the many policy questions that will confront the government and the country as it works to renovate its social protection service system. In brief, we feel USAID could provide support

³¹ Bulgaria: The Duel Challenge of Transition and Accession, World Bank, 2001.

for further analysis of specific policies and an assessment of conflicting and inconsistent policies that effect of social protection services, or block the involvement of non-governmental actors.

Re-Assessment and Re-Alignment of Social Protection Laws. Our assessment revealed certain contradictions both in the legislation, and in its implementation. For instance there is an apparent contradiction between pension policies and their possible impact on youth employment. An increase in the retirement age (Pension Reform), for example, could have a negative impact on youth employment (Labor Market) by restricting job openings. Pension and social insurance payments may raise the cost of labor and make certain enterprises non-competitive. On the basis of the social protection assessment we believe that a broad review of Bulgarian social protection policies could be beneficial as part of a reform process to more adequately meet the needs of the public. In particular, a review of the separate components of the social protection sphere could help align legislation regulating social insurance, social assistance and welfare, unemployment benefits and encouragement of employment, and the protection of children, disabled people, and others. An assessment of the potential economic impact of pension policy actions could help uncover inconsistencies and thereby contribute to informed policy development.

The elimination of the discrepancies and the application of a uniform and consistent social protection policy should lead to:

- Enhanced assistance to the targeted social groups;
- Improved quality of service provided to the various risk groups;
- More efficient services to those in need of social protection;
- More cost effective and efficient use of public resources allocated to social protection.

Non-Existent Policies. A second dimension of a broad policy review could be to identify areas in which social protection policies are simply non-existent or are woefully inadequate. An area particularly noted during the assessment is that of providing services and support for special needs groups. As describe to us, it appears that policies, programs, and support relating to the total needs of the blind, handicapped, elderly, children and women are underdeveloped.

The situation with respect to domestic violence is an illustration of the need for this type of policy review and is a seriously neglected area in social protection policy. Violence against women and children within the family context is essentially viewed as a “private” matter to be resolved by the family.³² A man may beat his wife to the point of hospitalization, for example, and the police are most likely to treat it as a misdemeanor. On the other hand, if the beaten wife were to stab her husband in self-defense, she is legally open to an attempted murder charge. Children likewise are unprotected from abuse by provisions in the penal or legal code. The recently established Children Protection Agency apparently represents an attempt to address the question of child abuse. However, observations and comments during our assessment indicated that stronger enforcement provisions are required.

USAID has some experience in the area of policy review and reform in Bulgaria through the Local Government Initiative project and the Implementing Policy Change Project. A part of

³² Interview with Animus Foundation, Sofia, Bulgaria, July 17, 2001

both projects has involved assisting the government and other groups in formulating and examining policy options. In addition, USAID has been working with several private think tanks and research groups that are likely to be able to assist in a broad review. USAID could further assist Bulgaria in addressing social protection policy issues by providing support for needed policy analysis, developing policy options, and encouraging or supporting public debate and consideration.

2. Information Needs

Throughout the social protection arena both government agencies and NGOs report a serious lack of reliable and readily available information on social conditions, and a corresponding inability to collect, analyze and disseminate this information. *USAID could provide technical support to a working group composed of governmental and non-governmental entities to enable them to collect, analyze and disseminate information about social protection programs, needs and benefits.* Such support should emphasize collaborative efforts along inter-departmental lines and ensure the broad dissemination of the information. This approach would constitute an excellent opportunity to encourage the involvement of educational institutions, think tanks, government agencies, and regional development authorities in an effort to contribute to the development of responses to social protection issues. A revolving broad-based Board of Directors could work to develop a social protection research agenda and then to review and revisit the agenda on a periodic basis.

Illustrative areas in which adequate information is not readily available include:

- **Impact.** The impact of social protection policies on the economy. This would be similar to an environmental impact assessment and could be conducted both before and after the development and implementation of policies, or in conjunction with policy change.
- **Domestic violence.** The types and extent of domestic violence. The aim would be to inform the development of appropriate legislation to deal with the problem. An immediate need is for credible baseline information on the issue that will provide firm estimates of the frequency of occurrence, who is impacted, how, and what types of corrective actions are needed.
- **Exploitation of women and children.** Baseline data and information on the magnitude and depth of the problem of the exploitation of people (women, children) in the commercial sex trade. Trafficking is a serious policy issue in Bulgaria. There is very little information about the number of trafficked women. Currently available information is incomplete and mainly anecdotal. The need is for detailed information on who is being exploited, how many are affected, ethnic and regional differences, available resources to help victims, and expected future needs for assistance.
- **Gender and ethnicity.** Barriers to access to social services on the basis of ethnicity and gender. During the assessment it was not possible to readily obtain reliable information on the access of different groups to social services and employment. On one hand, interviewees commented that there are no gender issues, and that women could apply for jobs. At the same time, we heard references about “women’s” employment areas and “men’s” areas. A further frequent comment was that there are more “women’s jobs” available now than men’s jobs. With respect to ethnic groups it was not possible during

the assessment to obtain reliable information on the number of ethnic people who were or were not eligible for, or receiving, social services. It would be useful to have more information with respect to the nature and intensity of communication barriers between Roma and other Bulgarian populations, since attitudinal and perceptual barriers appear to be critical to many of the problems of relationships, and access to social services. A full exposure and understanding of the mutual antagonisms among these groups is essential to the development of a viable strategy for improving relations between different ethnic groups, and for facilitating more adequate inclusion of all groups in a social protection systems.

- ***Shadow economy.*** The operation of the shadow economy is a popular topic of conversation in Bulgaria. People know it exists but are not quite sure what it is, its size, or its economic significance. It is assumed to be a major economic factor in Bulgaria. Yet, according to people we interviewed, there is a dearth of reliable in-depth analysis that documents the sector's operation, provides credible estimates of its size, and measures its economic significance. Available "data" tend to be anecdotal, which makes it difficult to generalize or draw reliable conclusions, or to form a basis for possible policy development.
- ***Link between social protection and tax legislation.*** Several interviewees raised the possibility of how tax policy could further the goals of social protection policy. Two specific examples were cited. First, tax policy could provide financial relief for poor and near-poor families, such as creating liberal deductions for childcare and education. Secondly, the NGO sector raised the issue of the potential of tax relief for NGOs providing services to the poor. Both examples suggest that an analysis of tax policy in relation to social protection policy may prove useful in identifying ways in which tax policy can liberate more financial resources for social protection.
- ***Small business development.*** Small business development is cited as the most promising path towards generating employment opportunities in Bulgaria, especially in smaller rural communities. This assumes that conditions for small business development are favorable. Interviews with several young entrepreneurs, however, suggested just the opposite. Namely, that starting a business is a very difficult and time-consuming process. Interviewees asserted that many potential small business entrepreneurs become discouraged and abandon the quest.

3. Institutional Capacity

In considering capacity development options it is helpful to note that the World Bank, USAID, the European Union, UNDP and other donors, including NGOs, have provided assistance to build the administrative capacity of the social sector agencies over the past ten years. As a rule the assistance was channeled to a particular agency and was not used to create inter-institutional capacity. An exception to this is the World Bank projects, prepared and developed after the year 2000, aimed at capacity building of the NSSI to collect all types of social insurance contributions and establishing a United Revenue Agency for the collection of taxes and social insurance contributions. Also, of course, a number of USAID projects have addressed the improvement of inter-governmental relations and thus provide a foundation that could be relevant to the issues raised here.

a. Implementation Capacity

Throughout this assessment it has been noted that municipal governments have inadequate capacity to fulfill their social protection responsibilities. In part, inadequate financing causes the limited capacity of municipal governments. However, an additional dimension seems to be inadequate organizational and managerial capabilities including: inter-governmental cooperation; ineffective relationships with non-governmental organizations, and with private businesses in the social service area; and the inadequate communication and exchange of information between municipal and national levels. These factors are likely to become increasingly acute as social service demands are placed on municipalities in the area of social protection.

USAID could provide technical assistance to municipalities to assess their social assistance implementation capacity and to strengthen their capacity to carry out their responsibilities in this area. Several USAID sponsored projects have already used organization and management assessment tools developed and adapted for use in Bulgaria. The tools and the lessons learned from other USAID initiatives, including the Local Government Initiative, the National Association of Municipalities, and the Regional Association of Municipalities, could enhance efforts to strengthen capabilities in these areas. USAID could also provide and expand support to government units at the central, regional and municipal levels to enhance their ability to work effectively in a decentralized social protection system in which responsibilities and resources are equitably shared. Finally, USAID could provide increased technical support and encouragement for the involvement of NGOs and the private sector in the Social Protection Sector, recognizing that for this effort to be successful additional assistance work with government agencies at all levels will be required

b. Reform Management Capacity

Throughout the assessment we encountered comments about the need for increased management and implementation support in a variety of areas. Foremost among these was the need for increased capacity in managing reform. This was noted, specifically in the social protection areas, as a need throughout at all levels as agencies undergo dramatic changes. Our interviews revealed a strong concern that national, regional and municipal officials are unprepared to efficiently and effectively manage the reform process in Bulgaria. The EU is funding “accession training” to address this issue. However, the relevant management concerns go beyond accession issues to the redesign and reorganization of agencies to meet modern public service and administration demands. USAID could provide technical assistance and on-going development in the management of the reform processes. Such a program should include assistance and collaboration of the EU and a well-designed and implemented participatory management assessment process of social protection agencies. One possibility is to team with the EU to expand their organizational development initiatives to critical social sector organizations.

A related problem is the lack of management resources, such as computer technology, to assist in the reform process. Interviews with municipal staff, for example, revealed poor communication among agencies servicing the same population groups (e.g., local labor offices and social assistance offices)

c. Accounting Technologies

The pension system is in need of modernization of the basic tools of the industry, such as accounting for investment instruments being offered. Experts cite the need to upgrade the actuarial techniques to strengthen the financial viability of the system. USAID could help strengthen capabilities in the use of modern accounting standards and actuarial methods are needed by providing training and technical assistance required to upgrade accounting technologies working through the existing or an expanded Pension Reform project. Such an approach would offer the opportunity to solidify gains already made in the area of pension reform.

It should also be noted, however, that the pension reform efforts supported by the World Bank and USAID appear to be making progress in terms of establishing sound financial approaches to pension management and to involving the private sectors. The continued success of these reforms could be enhanced by increased support capacities, e.g. the accounting technologies.

4. Employment Services

Several potential assistance areas related to improving employment services arose during the assessment.

Job awareness and preparation. There is a need to develop a comprehensive and transparent system for publicizing job opportunities. Several interviewees complained that too often job opportunities arise but that their availability is only publicized to a small group of local “insiders.” Whether or to what extent this occurs the widest possible dissemination of information is necessary, in part to help build confidence in the agency and the government. As part of an overall agency assessment of functions and ways to improve services, USAID could provide technical support for the development of a job availability information system that could be implemented in municipalities. Such a system could be of special value for minority women in rural areas and for youth in the 15 to 24 year-old age bracket, who are especially vulnerable to long-term unemployment. (Refer to the Education Sector and the need to develop work related competencies.) The implementation of this option could draw on the experience of the Quick Start program with the National Employment Service, and seek to develop ties with the education system, as well as the USAID funded PLEDGE program and the UNDP SME project.

Pre-layoff services. Bulgaria reportedly has a system for providing pre-layoff services to potentially unemployed workers. These services purportedly help prepare at-risk workers for layoffs through personal counseling, job seeking skill development and retraining. Interviews with knowledgeable people revealed, however, that this process is irregular and of uncertain effectiveness. Working with the USAID supported ACIL project, the Bulgarian union federations, the National Employment Service and related projects, *USAID could support the development of a system for developing or strengthening programs to provide pre-layoff services and support.* Such a project could also be designed to promote closer cooperation among labor and the private sector and be a lever to gain support for locally supported economic development programs.

Barriers to entering the labor market. Interviews with social protection stakeholders in Sofia and during our field visits revealed a need to remove barriers to labor market entry for a variety of population groups such women, handicapped, disabled and minorities. Barriers vary from the lack of public notification of job openings to outright discrimination. The problem is not a lack of knowledge of these barriers, but rather the lack of effective remedies to remove them.

5. Ethnic Relations

We recognized a need to improve relations among the ethnic groups and the rest of society, and identified several dimensions to the problem. The Roma population is among the poorest in Bulgaria and generally has low job skills, long-term unemployment and use social assistance as a family safety net. Interviews exposed a very negative view of the Roma by national and municipal officials who characterized Roma as lazy, unwilling to work, dishonest and taking advantage of the social protection system. It is likely that Roma communities share negative attitudes towards more traditional society as well. Improving relations between Roma and the rest of Bulgarian society, given the mutual antagonism, is an awesome challenge. As part of an overall effort to improve capacity within social service provider agencies, USAID could undertake a review of the barriers that limit access to services and develop measures to reduce them through such appropriate revisions of regulations and monitoring of staff behavior. We believe that this must be viewed as part of a longer-term endeavor to improve ethnic relations and focus attention on prejudicial attitudes and behaviors within Bulgaria.

USAID could also provide support for government agencies in monitoring and improving their ability to work with ethnic minority groups; and provide support for NGOs working with ethnic groups and/or on the improvement of inter-group relations within Bulgaria. Such efforts can build on current USAID efforts to support NGOs working with Roma in Bulgaria and in such areas as dispute resolution. Assistance could be linked with the improvement of Municipal Social Protection capacities and include assisting governmental and non governmental agencies in targeting social services to the most vulnerable populations.

6. Public Perceptions and Attitudes Toward Social Protection Services

A recent survey reveals considerable public distrust of the Government and its awareness of their problems. Respondents stated that Government institutions are either unaware of or unconcerned about their problems, such as unemployment and poverty.³³ It is likely that the problem of trust is multifaceted, stemming in part from inadequate social services and the quality of service provided. However, it is also likely that there is a lack of awareness on the part of social protection services, and that clients have little opportunity to be involved with decision-making and this could lead to improved service delivery. USAID could assist social service agencies with monitoring citizen perceptions/attitudes about the services they receive, the responsiveness of social agencies to their needs, and with expanding opportunities for citizens to provide comments to the social service agencies. This effort might build on the effort of some NGOs in working with the media, the municipal public information centers supported by

³³ Quality of Life and Social Assistance in Bulgaria: Public Perceptions, Attitudes and Expectations, Professor Lilia Dimova, Agency for Social Analysis, 2000

USAID, and the Foundation for Local Government Reform. (Relate also to capacity building and organization development.)

7. Pension Reform Public Awareness

The Bulgarian Pension Reform includes a complex set of actions: a three pillar system that combines the old compulsory PAYG system in pillar one, with a compulsory and voluntary scheme in pillar two (to be implemented in 2002), and a voluntary option pillar three (legislation passed) to address reduced early retirement categories, increases in retirement ages, and changes in the basis for determining pension benefits. One of the goals of the pension reform process is to create widespread public understanding of the new system, and to build support for its implementation. The reform was launched in the beginning of 2000 with a public awareness campaign. Interviews with several informed people, however, left the clear impression that public understanding of the new system was very low to non-existent. People did not seem to understand the new system (especially the social insurance components) and, as a consequence, were reluctant to support it through their participation. The relatively high pre-Reform evasion levels threaten to continue.³⁴

USAID could strengthen and expand the ability of the pension companies, in conjunction with NSSI, in explaining to the public the full ramifications and benefits of the pension reform efforts. A concerted long-term public education and awareness effort could contribute to the development of an informed public and encourage debate within an open democratic system. Specifically, USAID could work through the current pension reform project, provide technical support for the design and implementation of a public awareness assessment in conjunction with an effort to develop an integrated public awareness campaign in concert with other components of the social protection system, e.g. insurance companies, NGOs and government agencies.

8. Access to and Collaboration among Services

Throughout the assessment a recurring problem has been that of access by the public to the respective agencies, and of collaboration and a sharing of information among agencies. We believe that it could be useful to explore a “One-Stop” Social Protection pilot demonstration to test ways to improve the provision of social protection services and support improved relations among groups within Bulgaria.

The concept of a “One Stop” center is simply that citizens could come to a central location to obtain information about social services, to register with the respective agencies, and to receive benefits. The center could also provide information from and about NGOs providing social services or other resources that might be available.

Consideration could be given to including, as part of a center, services and assistance for the employers and others who pay social insurance contributions and taxes. These employers, sub-contractors and self-insured persons face similar access problems as clients of the social protection system. The payment of social insurance contributions, taxes and fees on a monthly basis require the submission of related periodic information and statements to the public

³⁴ IMF Staff Country Report No. 00/54, IMF, April 2000.

authorities and making actual payments. This can be a lengthy and time consuming process and reportedly results in ignoring payments and compliance. The inefficiency of this process is exacerbated by a lack of banking facilities in the smaller towns, which prevents businesses from voluntary compliance with their public responsibilities.

A One Stop Center at a municipal level could benefit from the experience and lessons of the municipal information centers developed on pilot basis during the past few years under the aegis of the Foundation for Local Government Reform and the Local Government Initiative project.

D. CONCLUSION

This section has reviewed the range of social protection needs within Bulgaria, the current institutional structure addressing those needs, and has presented intervention options.

The key points of the section are:

- The social protection needs in Bulgaria are extensive with many not currently being adequately addressed, in part due to the passive approach of the government.
- The government has assumed the primary responsibility for addressing social protection needs, but is unable to meet the broad range of needs confronting Bulgaria.
- The lack of private involvement in the Social Protection is denying Bulgaria valuable resources in addressing the needs of its citizens. NGOs and the private sector could become active and effective components of a social protection system.
- There are viable options for USAID to assist in the strengthening of the social protection system, many of which build on current USAID programs, contribute to the reform process, and result in improved service provision.

CHAPTER 5: CROSS CUTTING ISSUES AND OPTIONS

A. INTRODUCTION

During the initial phases of document review and data collection, the team identified a number of emerging issues that were common to each of the three sectors covered by this assessment. These issues can be captured in three broad categories: 1) decentralization, 2) institutional capacity building and NGO involvement, 3) management capacity, and 4) information needs and capacity. Each of these issue areas presents an opportunity to both coordinate programming across sectors and to build on current recently completed Mission activities and projects. Presented below is a more detailed discussion of each crosscutting issue, including related programming options.

B. FINDINGS

1. Decentralization

All components of the social sector are highly centralized with decision-making and control held by the central government in Sofia. This centralization has significant impact on the level and quality of service provided within each social sector.

- Local entities are unable to initiate programs or enact changes that will enable them to address local or special conditions.
- Local organizations have limited latitude to respond to the expressed needs of local populations.
- It is difficult to engage local NGOs to play a role in delivering social services.

A continuing high level of centralization presents local governments and social sector service providers with a major problem since they are increasingly responsible for providing services and support, yet have little influence on the policies and regulations which determine service delivery procedures. Bulgaria's centralized budget process further complicates the delivery of social services. Limited, and recently reduced, local taxes and a decrease in the amount of money received from the central government means that municipalities each year have insufficient funds to meet their mandated social protection, health and educational responsibilities.

In sum, the information collected through interviews and document review indicates that the lack of control by local service providers and users contributes to reduced levels and quality of the service being provided, increased delays in receiving services, increased frustration and disillusion with the government, and distrust of the social service sector.

Decentralization - Recent Developments: Modest decentralization efforts have been initiated in Bulgaria, with some municipalities gaining a limited measure of influence on decision-making in selected areas. Several USAID-funded projects, for example, have been supporting an increase in the advocacy and lobbying skills of local governments in order that they might more effectively engage the central government in relevant policy and regulatory dialog. Yet the

process of establishing more decentralized social sector systems in Bulgaria will be difficult. The successful introduction and institutionalization of decentralized processes implies: increased local participation in planning and decision-making; improved financial and management capacity of municipal institutions; and increased use of alternative service providers. Each of these changes are important, but entail the potential for a substantial number of initial problems. In short, decentralization will help to address many of the current problems in the social sector, but it will not be an easy solution to implement

Suggestions for USAID Interventions: Use the experience gained from current projects to expand the decentralization process to the social sector. Decentralization could encourage collaboration among the agencies engaged in social protection and ultimately contribute to increased cross-sectoral collaboration, e.g. in the area of public health, as greater local autonomy is acquired. Support for decentralization could also contribute to the development of a political and social environment in which there is increased responsiveness to public needs, i.e., as social services are decentralized it would be easier for local governments and organizations to demonstrate their ability and willingness to listen to and involve citizens. Of course, this process will not be without difficulties, but can be expected to contribute to the overall goal of developing both responsibility and accountability in the public arena.

Decentralization in the social service sector could build on and benefit from such other USAID projects as the Local Government Initiative. Several local government professional organizations have been developed which might be able to provide assistance and support for the effective decentralization of local social services. The USAID supported Regional Associations of Municipalities and the National Association of Municipalities are concerned and focused on decentralization in other areas and their experience and expertise could be utilized in the social sector arena. The Implementing Policy Change project has also been encouraging collaboration and dialogue on policy issues among ministries and among central, regional and local government entities. Working along a similar line, USAID programming in the social sector could benefit from and further support these efforts.

2. Institutional Coordination & NGO Involvement

Suggestions for USAID Interventions: Provide assistance for enhancing inter-governmental collaboration in the social sector, while encouraging the involvement of NGOs and private businesses in addressing social sector issues and needs.

The tradition in Bulgaria is to expect that government will provide needed social services. Yet the government institutions in the social sector report that they lack the capacity to effectively and efficiently provide social services. They note that increased demands are being placed on them for which they do not have adequate resources or response capabilities.

Contributing to this problem is the relatively rigid hierarchical nature of the government agencies and the centralization of decision-making authority. Similarly, both within and between government agencies, a lack of information sharing and collaboration is widely reported throughout the social sector. This is illustrated, for example, in the over-production of medical personnel by the educational systems and the lack of joint planning. Further, as is discussed in the education sector chapter, the schools system is not responsive to changing labor and societal

demands. And, within the social protection sphere there is little collaboration and communication among the agencies providing unemployment benefits, health insurance and other services.

Additional Institutional Resources: NGOs and the Private Sector: A major factor affecting the delivery of social services is the lack of non-governmental organizations and private businesses as active participants in the sector. There are very few NGOs in Bulgaria specifically dedicated to providing social services. One finds, however, some NGOs engaged in social service activities, often in response to a grant or to other donor support. Similarly, there are few private sector businesses actively engaged in social sector endeavors, whether in the education, health, employment or other social service areas. A private service sector is only beginning to emerge.

Encouraging and supporting the participation of NGOs and private businesses in the social sector has the potential to substantially increase the overall capacity within the sector. Potential benefits extend beyond just the social sector. An expanded role for NGOs and private firms will also contribute to the development of a service industry, with related economic benefits. The process of encouraging these organizations to develop is difficult, will require support over a number of years, and will likely encounter resistance from governmental agencies, as has happened in other countries.

However, USAID has a history in Bulgaria of working with and trying to support the emergence of businesses and NGOs. Although the focus of these organizations has not been on the social sector, the experience USAID has gained is transferable to the health, education or other social service areas. In addition, through the efforts and support of USAID, there are NGOs, businesses and associations that have developed around the country whose support it may be possible to obtain.

3. Institutional & Management Capacity

Suggestions for USAID Interventions: Through a variety of in-service and professional development programs, utilizing existing education, training and institutional development organizations, and promoting joint government and private participation, USAID could usefully focus attention on enhancing organizational management capacity. Assistance could focus on organizational self-examination of functions, processes, communications and the rules and regulations that govern the work; training and professional development to meet both short-term personnel needs; and creating an organization and management approach that enables the use of newly acquired skills, abilities and technologies.

Throughout the social sector, governmental and non-governmental managers are not prepared to effectively deal with the types of demands being placed on their organizations. Of particular concern is the change to a new economic and social pattern, and a lack of ability to manage the reform process in the context of a rapidly changing environment. This issue applies both to government agencies and to NGOs, as both types of organizations are faced with the challenge of developing substantive expertise and learning to manage a new type of organization in a difficult and newly competitive service environment.

The types of capabilities social sector organizations most clearly hope to acquire include: improved budgeting practices, including the use of program budgets; improved accounting and auditing practices; responsive and effective personnel management systems; and increased use of information technology

The increasing necessity for close collaborative relationships among organizations, among government institutions, and between the private sector and NGOs points to an additional capacity gap faced by most social sector organizations. Namely, managing these relationships calls for qualities and abilities that are not associated with the more traditional hierarchical organization and management patterns so common in Bulgaria.

A continued need for qualified personnel has both a short term and a long-term dimension. In the short term, in-service or professional development programs would benefit all. While the technical subject matter would differ across sub-sectors, in many of the management, personnel and information and technology areas, the processes and general development needs are similar.

4. Information Needs and Capacities

Suggestions for USAID Interventions: Provide support for the generation of social sector information and developing improved social sector research, monitoring and evaluation capacities.

Each social sector suffers from a lack of available reliable information and has a limited ability to obtain the information required for effective management, including planning, monitoring, evaluating, and budgeting. Information-related needs mentioned by interviewees during the assessment include:

- Information about the number of people requiring various types of services;
- Assessments of the social impacts of economic and other policy;
- Information on the effectiveness of programs designed to address social problems;
- Information needed for targeting services to those who are in greatest need.

From the health sector it was reported that there was a lack of information on the sources and magnitude of health problems. School officials lack valid information on the effectiveness of the education provided, as well as on the number of individuals who do not attend or drop out of school. There is virtually no valid information available in Bulgaria on the magnitude of the disabled population, whether or not they are minority citizens, their specific needs, or on the effectiveness of programs designed to address such needs.

USAID is again in the position of being able to draw upon or expand the use of organizations and capacities to which it has already made a significant contribution. Thus, emerging NGOs and think tanks may be able to provide some of the needed research and monitoring services.

C. CONCLUSION

The effect of the organizational/institutional, human capacity and information weakness is that services are delayed and their quality is poor. There is an overlapping of functions and lack of coordination among governmental agencies at the same level. It is difficult to determine whether or not the services provided in any of the areas are having the desired or intended effects. Finally, it is difficult, if not impossible, for agencies to share information with each other, assuming that the desire and authority to do so exists.

For the public the organizational and management weakness often results in lengthy processes of obtaining the clearances and certifications required to access social assistance, including unemployment payments, employment services, and health services. Improving social sector institutional, management and information capacities could have a direct and demonstrable effect on the level and quality of social services.

Approaches to the Cross Cutting Issues and Options: We discussed the question of how USAID might address the cross cutting issues, principally focusing two broad approaches:

- A meta project focusing on one or more of the issues or option areas. Conceptually there is an attraction for this approach as it could be coordinated to provide similar types of needed institutional capacity building services across several sectors.
- Similar projects in each of the sub-sectors with a condition they work together and seek synergies among the projects. In this approach, however, it could be that existing inter-departmental, inter-governmental, or organizational competition for resources would reinforce competition, and would not necessarily contribute to the desired collaboration among the social sector components.

We also recognized that regardless of the approach selected it would be necessary to have strong leadership support both from the government and from USAID to help overcome or sectoral competition for resources.

Regardless of what approach might be selected, a focus on the cross cutting issues can be a highly beneficial focal point for USAID as it considers the social sector, particularly in light of its other projects. USAID is in the position of being able to build on previous experience in related areas. The Local Government Initiative and the Democracy Network projects have both focused in large part on developing institutional capacity with municipal governments and with NGOs; the implementing policy change project has focused on the process of developing policy capabilities and positions and undertaking policy analysis. These experiences constitute a valuable base, which can be adapted and transferred to the social sector.